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How to Spend It TOMORROW

World Business Newspaper http://www.FT.com FRIDAY MAY 2 1997 D8523A

Millennium bomb threatens world telecoms links

Large telecoms operators warned that it could be impossible to telephone some countries after the turn of the century because of the "millennium bomb". Operators in the US and the UK are investing heavily to ensure their systems are free of the bomb – the inability of some computer systems to distinguish between this century and the next – but some operators are lagging in their preparations. Page 22

Rebels challenge terms of Zaire talks

A US-arranged meeting between Zairean rebel leader Laurent Kabila (left) and President Mobutu Sese Seko looked in doubt again as the rebels challenged the terms of the talks. The summit is regarded as the last chance for a peaceful solution before the rebels attack the capital Kinshasa, the final goal of their seven-month military onslaught. Page 6; Editorial Comment, Page 21

Bankers Trust uses new rules: New York-based wholesale bank Bankers Trust has become the first institution to take advantage of new international rules which can lower the amount of capital banks need to hold. Page 23

Labour victory predicted in UK election: Britons went to vote as the very last opinion poll of the general election campaign, by Mori for London's Evening Standard newspaper, showed the opposition Labour party on course for a landslide victory over the ruling Conservatives.
This edition of the Financial Times had to be published before the results of yesterday's UK general election were known. There will be full reports and analysis tomorrow. Continuously updated results can be found on the Financial Times web site, http://www.FT.com.

Outdoor Systems to buy rival: Outdoor Systems, the US's largest operator of billboard and poster advertising displays, announced an agreement to buy National Advertising, which was until recently the biggest company in its industry. Page 23

Sri Lanka growth lowest for 7 years: Sri Lanka's economy last year recorded its lowest growth for seven years, with investment and foreign assets falling while inflation more than doubled, the country's central bank said: Page 3

Howard Ford joins Equant: Howard Ford, former managing director of the UK mobile phone company Cellnet, was appointed European president of Equant Network Services, the world's biggest data communications network. Page 23

Stern leaves Lazard Frères: Edouard Stern, once regarded as the heir apparent to Michel David-Weill as head of Lazard Frères, has left the French merchant bank to run his own investment fund. Page 23

Banks pressed to drop complaint: Germany's private sector banks are being pressed by the government to drop a complaint to the European Commission claiming unfair competition from publicly owned banks. Page 2

Etam's losses worse than expected: Troubled UK women's wear group Etam reported far worse annual losses than had been expected and announced plans to revamp all 216 of its stores. The group reported annual pre-tax losses of £5.37m ($8.7m) against profits of £152,000 in the previous year. Page 28

Mattel to close UK factory: US-owned toymaker Mattel is to close its sole manufacturing plant in the UK and move production to Italy on grounds of cost competitiveness. Page 8

Second bid approach for APV: A two-way fight for the future of UK process equipment maker APV was in prospect as the company said it had received a second bid approach, two days after receiving its first. Page 23

Film director dies: Bo Widerberg, a leading figure in Swedish cinema who directed the 1967 film *Elvira Madigan* and three Academy Award-nominated pictures, died at Angelholm, southern Sweden, aged 66.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,960.83	(-48.16)
NASDAQ Composite	1,263.45	(+8.69)
Europe and Far East		
CAC40	(closed)	
DAX	(closed)	
FTSE 100	4,445.0	(+9.0)
Nikkei	19,275.33	(+124.21)

US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.207%
Long Bond	96½
Yield	6.920%

OTHER RATES

UK: 3-mo Interbank	6$\frac{13}{32}$%	(6$\frac{17}{32}$%)
UK: 10 yr Gilt	98⅞	(98$\frac{1}{32}$)
France: 10 yr OAT	(closed)	(98.16)
Germany: 10 yr Bund	(closed)	(101.26)
Japan: 10 yr JGB	104.7384	(104.591)

NORTH SEA OIL (Argus)

Brent Dated	$18.20	(18.41)

GOLD

New York: Comex		
(May)	$340.4	(340.0)
London:		
close	$341.05	(340.1)

DOLLAR

New York: lunchtime		
£	1.62425	
DM	1.722	
FFr	5.805	
SFr	1.469	
Y	126.655	
London:		
£	1.624	(1.6226)
DM	1.7186	(1.7317)
FFr	5.805	(5.8364)
SFr	1.466	(1.4734)
Y	126.27	(126.91)
Tokyo close:	Y 127.15	

STERLING

DM	2.7909	(2.8098)

9 770174 736159 18

Cherry tree ban may blight budding trade links

By William Dawkins in Tokyo

A European Union ban on imports of Japanese cherry trees is threatening to upset blossoming trade between the two sides.

The Japanese regard the flowering cherry tree, or *sakura*, as a symbol of ephemeral beauty, and often make gifts of them to commemorate important official occasions.

Japanese trade officials surprised their European Commission counterparts, during their annual round of talks last week, by asking for an end to the ban, imposed four years ago on plant health grounds.

No one objected at the time, but the ban became an irritant last year when Japanese donations of *sakura* to Austria and Spain were stopped at the borders and the donors told the trees could only pass with permission from Brussels.

Embarrassed Austrian customs authorities later admitted to their Japanese counterparts that there was no evidence the Japanese cherries had caused harm to EU plant life, according to a Tokyo foreign ministry report.

The ministry, which only takes an interest in trade matters when they are deemed to have broader significance, has told Brussels the ban is groundless. Officials say it does no good to the friendship between Japan and Europe which has flourished over the past decade.

Their rapprochement has been helped by the Commission's switch to a diplomatic trade negotiating policy, in contrast with the turbulent early 1980s, when it waged a campaign against allegedly unfair Japanese trade practices. Japanese gifts of cherry trees, usually from local governments, have been part of that flowering.

According to the Cherry Blossom Association of Japan, 22,855 trees and five litres of cherry seeds were donated to European nations in the 22 years before the ban took effect. In 1993, the final year before Japanese cherries were outlawed in Europe, Japanese well-wishers gave 450 trees to Portugal and 200 to France.

Giving *sakura* to a powerful friend has been a tradition in Japan since the aristocratic custom of holding picnics to view spring cherry blossom spread to the general populace in the seventeenth century. The first exports are believed to have been to the US just after the 1868 Meiji restoration, when Japan opened itself to foreign trade after two and a half centuries of isolation. In 1909, the Japanese government gave 2,000 *sakura* to the city of Washington, where they flower still.

Europeans appear to be less easily charmed. The late Emperor Hirohito donated a cherry tree to London's Kew Gardens which was later uprooted by former prisoners of war. The chances of a tender Japanese *sakura* flowering in the streets of Brussels seem just as slim.

US budget talks move closer to agreement

Negotiators produce plan to end deficits by 2002

By Bruce Clark and Patti Waldmeir in Washington

The White House and Republican leaders yesterday moved closer to an agreement on a plan to balance the US budget by 2002.

Republican leaders said they were happy with the outline of the plan, which would eliminate the deficits that have been a feature of every US budget since 1969.

But President Bill Clinton said last night he was not satisfied with the proposed deal, which was agreed in outline by Democrat and Republican negotiators late on Wednesday night. The proposal has been resisted by liberal members of Mr Clinton's Democratic party, who found the spending cuts too harsh.

The White House said budget talks were likely to continue into the night.

The blueprint accord calls for a gross tax cut of around $135bn-$140bn, and a reduction in spending on health care for the elderly of $115bn, over the next five years.

If bipartisan agreement on a deal is secured, it could prove the biggest political milestone since Mr Clinton took office as president, pledging to achieve budget balance. Opinion polls suggest strong public support for eliminating the federal deficit.

Republicans, meeting in closed session, are reported to have cheered when they heard the outlines of the deal reached between negotiators from the two parties. "We can sell this to our members," one Republican said. "Now it is up to Clinton."

The outline is also reported to include an agreement to adjust the consumer price index, which is widely believed to overstate inflation. This would be highly contentious politically, because it would lead to a drop in social security pensions, which are pegged to inflation. Wages of unionised workers would also be affected by a change in so-called "cost of living" increases.

Rapid economic growth has helped bridge differences between Democrats and Republicans. News of strong first quarter growth, at 5.6 per cent, led administration officials on Wednesday to predict a drop in the budget deficit to $75bn, its lowest level in more than 20 years.

Further evidence of strong growth emerged yesterday

Continued on Page 22

Trade unionists gather in Hamburg for a May Day rally as 100,000 Germans demonstrate across the country against record unemployment and an accompanying rise in right-wing extremism. Russian May Day demos, Page 2 Picture: Reuter

Key role created in Fidelity shake-up

By John Authers in New York

Fidelity Investments, the world's largest fund management company, yesterday completed a radical management reorganisation by appointing its first chief operating officer.

The company, recently under fire for its investment performance over the past year, has appointed Mr James Curvey to supervise day-to-day operations and take direct responsibility for finance and administration. Mr Curvey, who has never worked as a fund manager, has a remit to focus resources and to enhance stability throughout the organisation.

The move follows changes in virtually all the company's key management positions in the last two weeks. It was treated as a recognition by Mr Ned Johnson, Fidelity's 66-year-old chairman, that the company, which is privately held and now manages total assets of $498.1bn, had outgrown its traditional loose management structure which gave autonomy to its fund managers.

Poor investment performance last year, particularly in the $53bn Magellan fund, the world's largest open-ended fund, led to a dip in Fidelity's share of the US mutual fund market. It also suffered a series of defections, with eight managers of diversified funds, responsible between them for $120bn in assets, and 12 managers of specialist sector funds quitting to join rivals.

Fidelity now seems decisively to have adopted a more centralised and disciplined approach. Key positions have been given to career managers who do not have fund management experience.

Mr Curvey had spent 15 years with Fidelity Capital, the company's venture capital arm, which had revenues last year of $270m. Previously, he worked in personnel for Chase Manhattan Bank, and as a civil servant.

Last week Mr Robert Pozen, Fidelity's general counsel, was promoted to chief executive of Fidelity Management & Research, investment adviser to the company's mutual funds. Mr Pozen, another with no fund management experience, is known as an aggressive manager, and is expected

Continued on Page 22

Dillon Read resists ING efforts to take full control

By Gordon Cramb in Amsterdam and Tracy Corrigan in New York

Dillon Read, the Wall Street investment banking partnership, said it was resisting attempts by Dutch financial group ING to boost its current 25 per cent shareholding to full control.

Dillon's statement followed ING's confirmation of reports that it was seeking full control of the Wall Street bank.

Mr Peter Rosenthal, a Dillon Read spokesman, said: "Dillon Read is in discussions with ING regarding the exercise of Dillon Read's option to buy back the 25 per cent owned by ING. In connection with those discussions, Dillon Read keeps receiving proposals from ING based on ING's apparent desire that Dillon Read should not exercise its option."

When ING rescued Barings of the UK in early 1995, it inherited a 40 per cent stake in the long-established Dillon Read, which has experienced a succession of ownership changes in the last 15 years.

During the following year this share was reduced at Dillon management's behest, and the two sides agreed to resolve its status by July of this year. Dillon Read's option to buy back the 25 per cent stake has to be exercised by July 1.

Mr Ruud Polet, ING's spokesman, said yesterday it was not yet clear which way things would go. ING's preference was to take control of Dillon Read, he added, but this would depend on what its executives were asking.

"For both parties it would be best to stay together," he said. "We have co-operated well over the last couple of years, but we would not do a deal at any price."

A reported estimate of $425m to $450m for moving to full control did not reflect figures the group recognised, he added. ING paid Fl 1.7bn ($895m) for Barings and has spent at least another Fl 500m on strengthening its capital base and internal systems. The unit, now integrated with the Dutch group's existing corporate and investment banking divisions, began in the first quarter of this year to meet earnings targets set by the new parent.

ING, which also has extensive insurance interests, sees its main task on the banking side as building a broader network in continental Europe ahead of the scheduled move to economic and monetary union in 1999. But it is also seeking to raise its profile in the US, where it intends to obtain a Wall Street listing for its shares by the middle of the year.

In 1995 ING was in talks to buy another New York investment bank, Oppenheimer and Co, but plans collapsed. ING already has a US securities subsidiary. Analysts say Dillon Read is a venerable name but essentially a niche player.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Government accused of arm-twisting to persuade bankers to drop complaint to Brussels

Banks balk at pressure from Bonn

By Peter Norman in Bonn

Germany's private sector banks are coming under increasing government pressure to drop their complaint to the European Commission claiming unfair competition from publicly owned banks.

Senior bankers accuse Bonn of trying to bring them to heel through a costly change in the way bank supervisors allow them to account for buying other banks.

They say the government has resorted to "verbal arm-twisting" in recent meetings about the complaint to Brussels. Powerful figures such as Mr Jürgen Stark, the state secretary at the finance ministry, and Mr Sighardt Nehring, the top economic policy official in the chancellery, have appeared at meetings alongside the economics ministry staff who normally handle competition cases.

The bankers, who asked not to be identified, also suggest that the cabinet's unexpected decision to delay approving a bill to reform company law is evidence of subtle pressure on the private banks.

Officially, the joint stock company bill has been delayed because of reservations by Mr Norbert Blüm, the labour minister. But it poses a threat to the banks in its present preliminary discussion stage because of calls for amendments limiting their holdings of non-bank companies. While formally rejecting these calls, which grew after Krupp's ill-fated and bank-backed hostile takeover bid for its steel and engineering rival Thyssen, the government is in no hurry to push the bill through parliament, the bankers say.

"It is a very tense situation because the federal government has intervened on the side of the Landesbanks and is not working to create fair competition," says Mr Wolfgang Arnold, deputy general manager of the association of German private sector banks.

The big private banks are in no mood to placate the government. On April 14, for example, Mr Hilmar Kopper, Mr Jürgen Sarrazin and Mr Martin Kohlhaussen, chief executives respectively of Deutsche Bank, Dresdner Bank and Commerzbank, failed to appear at a meeting on the dispute called by Mr Friedrich Bohl, the chancellery minister. Mr Bohl was left to discuss the issues with Mr Friedel Neuber, chairman of the public banks' association and chief executive of Westdeutsche Landesbank Girozentrale, the publicly owned regional wholesale bank at the centre of the controversy.

The dispute dates back to the early 1990s when WestLB's capital was boosted through an equity injection in the form of housing development funds. The private banks objected that such action gave the WestLB and other public banks a competitive advantage because the capital was very cheap compared with core capital raised through share issues or retained earnings.

Private sector bankers now complain that pressure is being put on them through the Berlin-based federal office for bank supervision. This body has sharply increased the capital cost for banks which have bought or are planning to buy banks or investment banks.

When a German bank buys another institution it has to draw on capital to cover the added cost of the acquisition over its book value. Traditionally, it has been able to make provision for this over 10 years before eventually drawing in equal amounts of expensive core capital, which costs about 16 per cent to service, and subordinate capital which costs less than half the amount.

Now, however, supervisors are insisting that at the end of 10 years, the sum must be covered solely by core capital, thus raising the bank's costs sharply and possibly restricting its lending.

This rule, unless changed, will penalise Deutsche Bank and Dresdner Bank for their purchases of London-based investment banks. In 1989, Deutsche Bank acquired Morgan Grenfell for £950m ($1.5bn) or 2.2 times book value, while Dresdner Bank's £967m acquisition of Kleinwort Benson in 1995 was worth twice book value.

The large amounts of money involved help explain why the dispute has escalated. But matters of public policy are also involved. The Bonn government supports the public banks because it relies on their network of savings banks to promote the euro, the planned European single currency. Bonn and the federal states also regard the public banks as important agents of regional policy and guarantors of competition in the banking sector.

BA anger over ban on airport switch

By David Buchan in Paris

The row between British Airways and French aviation authorities over security at Charles de Gaulle airport escalated yesterday after BA strongly attacked the French refusal to allow it to switch flights to Orly, the other Paris airport.

BA is protesting at inadequate security measures at Air Algérie, which it considers a high-risk airline and with whom it shares a baggage conveyor at Charles de Gaulle.

Mr Robert Ayling, BA's chief executive, yesterday rejected a widespread French suspicion that his airline's request to switch flights to Orly was motivated by a commercial desire to increase BA's presence at the main French domestic airport. "We have as many flights to Orly as we want," he told BBC radio. "We want to stay at Charles de Gaulle, but in conditions of satisfactory security."

It also emerged yesterday that after officials of the US Federal Aviation Administration inspected the facilities, TWA had decided to park its aircraft in the open rather than dock them at the disembarkation pier that it shares with Air Algérie. One of the French unions has publicly backed BA's complaints about security.

After the Orly flight coordinator refused BA's request to switch flights temporarily there, BA said it had asked the UK government to intervene with the French authorities.

"It seems the French authorities want to force us to accept either inadequate security conditions at Charles de Gaulle or a grossly unsatisfactory level of customer service," said BA adding: "We will not compromise on either."

During Air Algérie's check-in hours, BA has stopped taking hold baggage at Charles de Gaulle, a precaution that the airline said disrupted 18 of its 30 flights yesterday in and out of the airport.

During the six-day dispute, BA said 60 of its 185 flights had been affected.

The French press agency AFP reported yesterday that Air Algérie ended up at the airport's Terminal 1 with BA and most other foreign airlines because Air France had insisted that it be kept out of Terminal 2, which the French airline uses.

May Day demos 'proof of democracy'

By Chrystia Freeland in Moscow

As more than 1.5m Communists and trade union supporters across Russia took to the streets for traditional May Day demonstrations yesterday (above), President Boris Yeltsin said their criticism was proof that Russia had become a democracy.

In one of his regular radio addresses, Mr Yeltsin said that some Russians "out of habit, will go to rallies with flags and slogans. They will condemn the authorities, condemn the president." But, he said, these demonstrations, which brought Russians onto the streets in 900 towns and cities, were one of the freedoms the country had won in its struggle against the authoritarian Soviet regime. "They [the demonstrators] have the right to do so and this is what we have fought for – for the citizens' right to decide what they want to do, both on working days and on holidays." This conciliatory tone contrasted with the rhetoric of hardline Communists. At a Moscow rally Mr Gennady Zyuganov, the Communist chief, called for the president and cabinet to resign.

Earlier this week, Mr Zyuganov called on Communist activists to begin collecting signatures on a national petition of no-confidence in the president. Trade union leaders at other demonstrations urged their supporters to organise a nationwide strike.

Communists and union leaders made equally bellicose threats earlier this spring, ahead of a national strike on March 27 which they said would attract up to 20m people. In fact, the strike attracted only lacklustre participation, a precedent which drew much of the sting out of the opposition's threats yesterday.

Analysts speculate that one reason for the Russian people's apparent passivity is that they prefer to devote their energies to the wearying struggle to survive. Mr Yeltsin admitted as much yesterday, saying that many Russians would spend the four-day long weekend at their garden plots, where millions grow food to supplement their incomes. Picture: Reuter

Russians 'realistic' over Nato expansion

By Chrystia Freeland

The US and Russia made some progress in their efforts to reach an agreement over Nato's eastward expansion but there was no breakthrough during yesterday's talks in Moscow between the two countries' foreign ministers.

"We may have somewhat narrowed the differences," Mrs Madeleine Albright, US secretary of state, said. But she added: "We still have some way to go."

Mr Yevgeny Primakov, Russian foreign minister, said the two countries remained fundamentally divided on the issue of Nato enlargement.

But he added that Moscow and Washington had decided to stop debating the central question of Nato expansion and to focus on other ways of enhancing mutual security.

"We met at this table with different positions: the US is for Nato enlargement; Russia holds a negative position in this respect," Mr Primakov said. "But all the same we have a wide field of common interests."

In a further sign that Moscow is coming to understand that expansion will go ahead with or without the Kremlin's blessing, Mr Primakov said: "Being realists, we understand that we need to have a relationship with Nato."

This Russian realism follows a series of increasingly categorical assertions by the US that it will not make further concessions to Russia over Nato.

Both ministers also emphasised that, despite their goodwill, there was no guarantee a planned charter between Nato and Russia would be ready to be signed on May 27.

Mr Boris Yeltsin, the Russian president, hopes to sign the deal in Paris ahead of Nato's expected decision in July to invite new members to join.

One of the central sticking points is Russia's insistence that Nato must promise not to move its military infrastructure on to the territory of its new member states.

In the past, Nato has said it has "no plan, no need and no intention" to station nuclear weapons in eastern Europe or to base significant armed forces there permanently. However, it has refused to make a binding promise.

Austrian banker's suicide note sparks political storm

By Eric Frey

The suicide of a leading Austrian banker has sparked a scandal which threatens to embarrass both the country's largest political party and the largest bank.

Gerhard Praschak, 46, was co-chairman of Kontrollbank, which provides credit guarantees and financing for exporters. He shot himself last weekend in his office and left behind notes which allegedly showed that he was a victim of a political effort to find a top position for Mr Rudolf Scholten, the former minister of transportation and the arts. It is alleged that Praschak also charged Bank Austria, the largest bank, with organising a tax evasion scheme.

Praschak and Mr Scholten, both Social Democrats, started their careers in the 1980s as personal secretaries to the former Chancellor, Mr Franz Vranitzky. Praschak later switched to Kontrollbank while Mr Scholten joined the cabinet. When Mr Vranitzky resigned in January, Mr Scholten left with him. Last Friday, he was appointed as a third member to Kontrollbank's board and threatened to take over some of Praschak's responsibilities, including international co-operation with other export guarantee banks in the Berne Club. Thirty six hours later, Praschak was dead.

In his suicide note, Praschak claimed that Bank Austria, the main shareholder in Kontrollbank, had prepared a tax evasion scheme through a covert profit payout of Sch140m ($11.5m) from Kontrollbank to Bank Austria. Mr Gerhard Randa, the Bank Austria chairman who also heads Kontrollbank's supervisory board, has denied the charges. Kontrollbank said it paid a special dividend to all shareholders for 1994, when it had extraordinarily good results.

The opposition has jumped on the affair as proof of the excessive influence of the two governing parties, the Social Democrats and the conservative People's party, on the country's top banks. Mr Jörg Haider, leader of the far-right Freedom party, claimed Praschak was being forced out of Kontrollbank by the current Social Democratic Chancellor, Mr Viktor Klima, because he had become insubordinate. "This is like the Mafia. The don gives the orders, and the others execute them," he said.

The Praschak affair has also been linked to the takeover of Creditanstalt, the second largest bank, by Bank Austria earlier this year. Both banks were large shareholders in Kontrollbank and Investkredit, another semi-public bank that focuses on long-term investment financing for companies. After the Creditanstalt takeover Bank Austria pledged to cut its stake in both institutions.

Mr Randa subsequently supported a merger of Kontrollbank and Investkredit and wanted Praschak to move to Investkredit to prepare the deal and later assume the chairmanship of the combined group. But this plan was thwarted by Bank für Arbeit und Wirtschaft, which holds shares in both banks. This left Praschak and Mr Scholten facing each other on the same board.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

Poles foster catholic view of EU

Christopher Bobinski on moves to counter Church's Euroscepticism

With the prospect of a start early next year to Poland's talks on joining the European Union, moves are under way to bring the country's somewhat Eurosceptical Roman Catholic Church on board.

Its bishops have been less than enthusiastic about the EU as they gaze at western Europe's empty churches and worry about the effect of the consumer society on the spiritual welfare of their flock.

In a notorious sermon two years ago Cardinal Jozef Glemp, head of the Church in Poland, warned that western politicians were out to "weaken the countries of central Europe so that, when they join [the EU] they will not be able to threaten the existing members with their spiritual strength". Earlier this week, however, he was prepared to preside at the inauguration of a special unit devoted to European integration at Warsaw's Theological Academy – and to wish it well.

Also present was a strong clerical contingent from Germany led by Dr Karl Lehmann, Bishop of Mainz and head of the country's bishops, who was there to receive an honorary doctorate and, discreetly, to push the merits of EU integration.

Mr Andrzej Olechowski, a former Polish foreign minister, is one of the prime movers behind the unit, the Studium Europa Generale. He appears to recognise that work on winning the hearts and minds of the Catholic Church in Poland has to start now if the Church's nationalist wing is not to gain the upper hand. Poland, like other EU applicants before it, will have to hold a referendum on joining the Union, and the Catholic Church is a powerful political force.

Pope John Paul II's visit to his native Poland early next month will be watched by the Church's various factions for pointers on the European issue. The Pope has been tireless in advocating the notion that central and eastern Europe have always been a part of "Europe", in spite of the rift caused by the post-war settlement. Conservatives ask, however, whether the Pope really wants his countrymen to follow in the footsteps of the more hedonistic western Europeans and risk losing their national identity if sovereignty is abandoned to Brussels.

Bishop Jozef Zycinski, a rising star among the bishops on the Church's more open-minded wing, responds that the evils which critics charge the EU brings in its wake, such as drug abuse or pornography, are already present in Poland. The bishop, whose diocese is in Tarnow in the south, argues that the Church should be trying to inject more spiritual values into the EU rather than throwing up barriers against it. "We mustn't represent a Christianity replete with complexes and fear of anything new."

He rejects the notion that Poland's bishops are against the EU. Nevertheless, the Church is split on how close links with the Union should be. However, the very fact that the Studium Europa has got under way, with financial help from Germany's Konrad Adenauer Foundation and the Batory Foundation of the Hungarian-born financier George Soros – and with the blessing of Cardinal Glemp – suggests that the tide inside the Church is beginning to run in a pro-European direction.

EUROPEAN NEWS DIGEST

Ireland raises interest rates

Ireland's central bank reacted to the fall of the punt yesterday by raising interest rates by a half percentage point. Although many European markets were closed for May Day, the punt came under heavy selling for a second day, following the bank's decision on Tuesday to stop supporting the currency.

The interest rate rise, which is likely to trigger mortgage cost increases, coincides with the announcement of monthly private credit growth of 18.6 per cent in March, up from 15.8 per cent in February.

Ahead of proposed European monetary union, traders are betting the government will seek to bring the exchange rate closer to its mid rate in the European exchange rate mechanism of 2.41 to the D-Mark. The punt was trading at 2.56 last night having lost 10 pfennigs in two days. *John Murray Brown, Dublin*

Bonn sells housing company

The Bonn government has moved forward with its privatisation programme by selling the Deutschbau public housing company for more than DM2bn ($1.2bn) to a consortium owned by the Veba industrial conglomerate and Deutsche Bank. The finance ministry said the deal, which needs Cartel Office approval, was the first privatisation of a large housing company. It is hoping to trigger further sales of publicly owned housing.

Deutschbau, ownership of which was shared by the federal government and the postal service, owns about 38,000 rental properties throughout Germany. Veba, whose property subsidiary Veba Immobilien will manage the Deutschbau housing stock, already rents out around 130,000 homes, mainly in the industrial state of North Rhine-Westphalia. *Peter Norman, Bonn*

Wiesel appointed to fund

Mr Elie Wiesel, the Nobel Prize-winner and survivor of two concentration camps, has been appointed international chairman of Switzerland's special SFr265m ($180m) fund for Holocaust survivors.

The Jewish community had been pressing for his appointment but this conflicted with the agreement that the president of the executive board should be a Swiss national. In a face-saving compromise, Mr Wiesel has been given the symbolic title of international chairman "in recognition of his extraordinary accomplishments and his respected moral guidance".

The Swiss government confirmed that Mr Rolf Bloch, president of the Swiss federation of Jewish communities, would head the fund's seven-strong executive board.

Meanwhile, the Swiss Bankers' Association has recommended that the names of all the Holocaust-related dormant accounts should be publicly disclosed. This could infringe Swiss bank secrecy laws. *William Hall, Zurich*

Sale of Polish bank near

Poland's finance ministry is likely to sell up to 65 per cent of Polski Bank Kredytowy (PBK) later this month, according to an official from HSBC Investment Services, the ministry's adviser to the sale. "I expect the results of the [PBK sale] tender in late May because the ministry wants to sign the agreement at that time," Mr Hubert Janiszewski said yesterday.

In January, the finance ministry invited bids for no less than 10 per cent and no more than 65 per cent of PBK and said it expected to finish negotiations with shortlisted investors at the end of April.

Mr Janiszewski said the initial public offer for PBK, in which another 15 per cent of the bank is expected to be sold, was likely to take place as scheduled in October. HSBC has estimated the total value of PBK at 1.2bn-1.6bn zlotys ($380m-$510m). *Reuter, Warsaw*

Romania puts up gas prices

The price of gas and heating was raised by up to five times in Romania yesterday as part of market reforms, a move certain to worsen already soaring inflation and hit hard-pressed consumers. Newspapers reported that the increases would raise the average family's annual gas bill to the equivalent of $380. The average monthly salary is about $70.

Government officials acknowledge that the rises, intended to match world prices, would generate further temporary rises in inflation. Monthly inflation hit a record 30.7 per cent in April. *Reuter, Bucharest*

Spain settles phone dispute

The Spanish government has resolved a dispute with the European Commission by agreeing to measures to put Airtel Movil, its second mobile telephone operator, on an equal footing with Telefónica, the incumbent operator.

Brussels complained last year that a Pta85bn ($585m) licence fee which Airtel Movil had to pay, but which Telefónica did not, was a severe distortion of competition. It told Spain either to charge Telefónica or to produce corrective measures which amounted to the equivalent.

The response from Spain includes granting Airtel Movil better interconnection terms with Telefónica, extending Airtel Movil's licence from 15 to 25 years, giving it the right to build its own infrastructure, and granting extra band capacity. *Emma Tucker, Brussels*

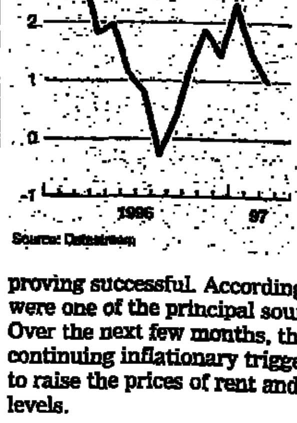
Çiller sticks with partners

Turkey's Islamist government won breathing space yesterday after Mrs Tansu Çiller, the deputy prime minister, said her conservative True Path party would not leave the coalition despite a row with the military over the rise of Islamist activity. The military is demanding that 18 anti-Islamist measures are carried out.

Two True Path ministers resigned last weekend in protest at the failure of Mr Necmettin Erbakan, the Islamist prime minister, to act on the army's demands. But Mrs Çiller said the party would have nothing to do with an attempt by fellow secular politicians in the opposition to form a shadow government that would unseat Mr Erbakan. *Reuter, Ankara*

ECONOMIC WATCH

Inflation down in Russia



Russia's monthly inflation rate fell to 1 per cent in April, from 1.4 per cent in March, according to Goskomstat, the state statistical committee. The April figure was the lowest this year: monthly inflation was 1.5 per cent in February and 2.3 per cent in January, traditionally a month when inflation hits a peak. Last month's figures are a further sign that Moscow's pursuit of macroeconomic stabilisation, one of its priorities in the transition to a market economy, is proving successful. According to Goskomstat, services were one of the principal sources of inflation in April. Over the next few months, the service sector could be a continuing inflationary trigger because of Kremlin plans to raise the prices of rent and utilities to market levels. *Chrystia Freeland, Moscow*

Japan gets round 40-hour week

By Gwen Robinson in Tokyo

In Tokyo, the last out of the office are the boss and his "salarymen" – and it is often in the early hours of the morning.

That is unlikely to change in *spite* of the introduction of a 40-hour working week last month. For although Japan's salarymen are now officially working *fewer* hours, they are clocking up more overtime, according to government figures published yesterday.

The trend highlights corporate Japan's double-edged response to the shorter working week from April 1. Typically, Japan's white collar workers put in 60 hours a week in a corporate environment which places a hefty premium on fidelity to the office rather than the home.

Unions warn that without accompanying reforms enforcing the shorter *working* week, *the new rules* will reinforce the dark side of a corporate culture in which "death by overwork" and "corporate bullying" are common terms.

Labour activists say the regulations – which bring Japan further in line with those of other developed economies – are likely to have limited impact on a corporate culture in which there is intense pressure on workers to stay at their desks at least until their superiors leave.

"If your boss asks you to complete a long report and you're in the office until 3am doing it, you'd be made to feel greedy for writing down all the extra hours – you'd also feel guilty, as though it was your fault for taking so long," *said a member of an* independent union of middle-managers in Tokyo.

Many Japanese companies cut back official working hours before the introduction of the shorter working week. According to the labour ministry, monthly work hours at companies with 30 or more employees averaged 159.3 hours per worker, down 0.3 per cent from the previous year. They fell further in March, just before the introduction of the new system, averaging 156.4 hours per worker, down 2.4 per cent from a year earlier, the ministry said.

Overtime work, meanwhile, increased by 10.5 per cent from a year earlier to 16.8 hours per worker. The increase in overtime hours has driven up average monthly wages by more than 7 per cent from the previous year, *the ministry said*.

Full-time employees in Japan are now officially entitled to overtime *payments for any hours worked* beyond 40 hours a week. In the year to April 1, monthly wages, including twice-yearly bonuses, recorded the highest rate of growth in five years, increasing by 2.3 per cent to Y416,680 ($3,300).

The new system will have little effect in the growing number of sectors which are exempt from the 40-hour system. Discretionary work systems are permitted in sectors such as news gathering, in which the distinction between working and non-working hours is difficult to define. Corporate lobby groups including the Nikkeiren, a leading employers' association, are pressing to extend the discretionary system *to cover all white-collar workers*.

Virtuous dam rises on Yellow River

In the barren hills of Henan province south of Beijing thousands of Chinese workers are labouring under a hot sun to build a massive dam whose contribution to China's well-being may prove greater than the controversial Three Gorges project on the Yangtze.

The $4bn Xiaolangdi dam on the Yellow River is the other side of the coin of China's water conservation efforts. While the Three Gorges has been scorned by international lending institutions worried about environmental and human rights resettlement issues, Xiaolangdi has *attracted* support from the World Bank and others.

Mr Nicholas Hope, director *of the China and Mongolia* department of the World Bank, describes China's record in utilising loans as "excellent" and says the Xiaolangdi project is a model.

It also represents the bank's biggest commitment to China, with lending of about $1bn earmarked. The World Bank has disbursed about $3bn in loans to China since the early 1980s, including $570m to Xiaolangdi. China is the largest recipient of bank assistance.

At the Xiaolangdi construction site, 40km north of Luoyang in Henan, work is well advanced on diverting the Yellow River to facilitate construction of a huge, multi-purpose 1.3km earth and rock dam which will rise 154 metres from the valley floor. Water diversion will take place in October.

The site was chosen because it stands, according to the Yellow River Water and Hydropower Development Corporation, the contractor, at a "critical point" on the 5,500km-long Yellow River, below the main catchment which accounts for about 90 per cent of the river's flow each year.

The dam has a long-term storage capacity of more than 5bn cubic metres and will create a body of water stretching for 130km, but one of the dam's main functions – stopping Yellow River siltation – will have a limited life. After about 20 years the dam's capacity to capture silt from the *loess hills in the Yellow River's* catchment will be exhausted.

Mr Wang Xiaoru, deputy project chief, is sanguine. "Our *children and grand*children will have to think of another solution to the silt problem," he says. One *possible solution is to raise* the level of the dam wall.

It is estimated that 1.6bn tonnes of silt from the erod*ing plateaus of Inner Mongo*lia and Shaanxi province wash down the Yellow River each year, raising the river bed *by 10cm a year, adding* to the risk of flooding. Flood embankments need to be raised by a metre every decade, at huge cost, to shield surrounding areas.

The Xiaolangdi dam will regulate the Yellow River's flow along the last 800km of its journey to the sea, protecting 120m people downstream from terrible floods which have killed millions. It will also drive turbines with a capacity of 1,800MW, generating electricity valued at $170m a year.

The World Bank says the dam will raise crop yields on about 2m hectares of land and make more water available to cities such as Qingdao in Shandong province which rely on the Yellow River, whose flow slows to a trickle during "dry" months from November to June.

The bank estimates the project's "economic rate of *return" at about 18 per cent* taking into account all the dam's benefits, from flood control to power generation. The dam would increase labour productivity of about 4.5m farming families, with incomes rising by 33 per cent *in Henan* and by 12 *per cent* in Shandong.

The World Bank has been particularly sensitive about criticism of the resettlement of 170,000 people, but it seems those displaced have by and large accepted the fact, unlike the Three Gorges where resettlement of 1m has drawn local protests and the ire of international human rights groups.

Eximbank of the US has joined the World Bank in supporting the scheme, providing $55m in export credits. Among the main contractors are Impregilo of Italy, which is responsible for work on the dam wall itself; Zublin of Germany, spillways and water diversion; and Dumez of France, power structures.

Construction was inaugurated in September 1994, and about 40 per cent of the civil works has now been completed. Completion is due on June 30 2001. Engineers say that in spite of the size and complexity of the project work is on schedule.

Tony Walker

French and Korean groups leave field to NTT

Bidders quit race for Sri Lanka Telecom

By Amal Jayasinghe in Colombo

Two international telecommunications groups have withdrawn from the bidding for Sri Lanka Telecom (SLT), according to senior government officials, dealing a serious blow to the Colombo government's ambitious plan of state sell-offs.

The evident withdrawal of France Télécom and Korea *Telecom, which had been* shortlisted to take up the 35 per cent stake on offer in the state monopoly, leaves the *field clear for Japan's Nip*pon Telegraph and Telephone (NTT), officials added.

"France Télécom pulled *out because of new commit*ments in Europe although there is no formal intimation," said a spokesman for the Public Enterprise Reform Commission (Perc), the state privatisation authority.

He said Korea Telecom's interest in SLT all but vanished after it took on a controlling interest in Lanka Bell, which operates the so-called "wireless local loop" (WLL), a cable-less phone system in competition with SLT.

When the government unveiled its ambitious privatisation plan nearly two years ago, SLT was regarded as a prime attraction for foreign investors.

More than a dozen interna*tional and regional phone* companies expressed initial enthusiasm but that interest has largely evaporated.

"The over-staffing of SLT coupled with the unfavourable interconnecting agreements with two WLL opera*tors have brought down* the appeal of the company," a telecom analyst said.

The government has granted licences *to two WLL* operators with interconnection agreements which were unfavourable to SLT.

*Analysts say the govern*ment had initially expected to raise about $500m for the 35 per cent stake in SLT together with the right to manage the company.

"SLT is a buyer's market for NTT," a government official said. "They can call the shots and considering the government's financial situation, they may even agree to giving away things like monopolies for extended periods."

The Perc privatisation *authority said it expected* the government to finalise the SLT sale by the end of this month and have an *agreement concluded at least* by July. Analysts say this is optimistic. The sale has already been delayed by *more than seven months*.

Sri Lanka Telecom employs about 7,500 workers to maintain 250,000 tele*phone lines. The sell-off* delay has forced the government to revise downwards its privatisation revenue *receipts by about half to* $200m for 1996.

Economic growth cut to lowest for 7 years

By Amal Jayasinghe

Sri Lanka's economy last year recorded its lowest growth in seven years, with investment and foreign assets falling while inflation more than doubled, according to the central bank.

The country's war-battered economy grew at a poor 3.8 per cent in 1996 compared with 5.5 per cent in the previous year and 5.6 per cent in 1994, the bank said in its 1996 annual report released this week.

The 1996 GDP growth figure is the worst since 1989, when the economy expanded by just 2.3 per cent because of work stoppages and an anti-government uprising that was quelled in 1990.

"The country's economic *stabilisation attempts have* often met with large slippage and shortfalls in achievement compared to expectations," the bank said, adding that the country was "never able to get on a sustainable deficit reduction path".

The budget deficit was nearly 9 per cent of gross domestic product in 1996 compared with 8.4 per cent in 1995, bank figures showed. A severe drought compounded economic woes already caused by heavy spending on the long-running war against separatist Tamil Tiger guerrillas in the north-east of the country.

The bank said structural reforms were essential to lift the economy and recommended privatisation of the two state-owned commercial *banks which account for* about two thirds of the country's banking business. But it warned that the sale of the two banks – *Bank of Ceylon* and the People's Bank – might be a "delicate move".

Sri Lanka's export growth showed a slowing down to 13 per cent compared with an expansion of 21 per cent in 1995. Tourism fell 25 per cent and investment remained depressed, the bank said.

External assets fell marginally, while the debt servicing ratio jumped from 11.9 per cent to 13.0 per cent of export earnings. On the brighter side, prices of tea, the country's main export commodity, improved during the year, although other agricultural produce suffered badly from drought.

Controversial FDR statue lacks a certain grandeur and historical accuracy

US president, hero and chairperson

Today America will dedicate a memorial to President Franklin Delano Roosevelt, but it is a monument as much to political correctness as to one of the country's great presidents.

President Roosevelt, polio victim and national symbol of the heroic handicapped, hated to be depicted in a wheelchair. But disabled groups claimed its absence was an insult.

After weeks of controversy, including public arguments between FDR's grandchildren, President Bill Clinton stepped in to demand a presidential wheelchair. Just in time for the dedication, a compromise was reached: there will be a sculpture of the chair – but without the president in it.

However, such concessions to correctness risk undermining the power of the monument, which occupies a 7.5 acre site on the banks of Washington's famous tidal basin.

The demands of modern politics have deprived FDR, for example, of his trademark cigarette-holder – even though it is probable that more Americans of the FDR period knew that he was a happy smoker than realised that he was handicapped.

And even the first lady, *Mrs Eleanor Roosevelt*, has had to give up her famous fox-fur piece – in deference to modern animal rights sensitivities.

Even the presidential quotes which decorate the red granite walls of the monument show signs of having been sanitised for end-of-century consumption.

FDR's famous war message to Congress, branding December 7 1941 – the day of the Japanese attack on Pearl Harbor – as "a date which will live in infamy" is omitted altogether.

The designers say they could not include every FDR utterance; but to leave out one of the most famous invites the suspicion that the quotes have been chosen to avoid offence and for maximum blandness.

The only quotes likely to cause any kind of political controversy are those which capture the essence of the "New Deal" politics for which Roosevelt is famous – exactly the inheritance which political leaders of the turn of century are least likely to celebrate.

From one of his inaugural addresses comes the phrase: "The test of our progress is not whether we add more to the abundance of those who have much, it is whether we provide enough for those who have too little."

In the context of the current withdrawal of the welfare state, that quote seems in direct defiance to the prevailing political mood.

But once disputes over political correctness have faded the real problem with the FDR memorial could prove to be lack of grandeur.

The monument's designer, Mr Lawrence Halprin, says he deliberately eschewed what he sees as the archaic style of the capital's other three great presidential monuments, to Washington, Lincoln and Jefferson.

"I didn't see any reason to ape earlier periods," he said. The other monuments are "not democratic", he said, adding that by this he meant they were not "modern".

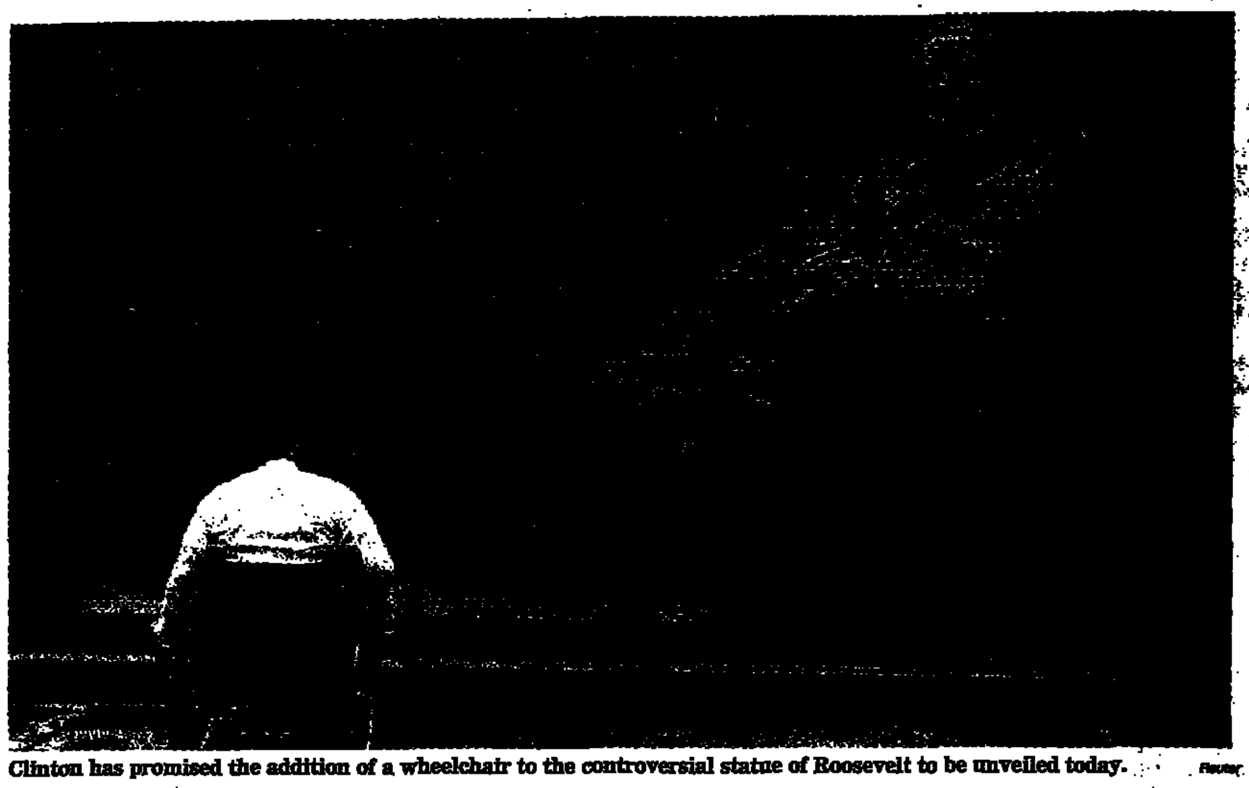
According to Mr Halprin, modernity decreed that the memorial should be not "an icon" but a series of "choreographed spaces" which form a "symbolic landscape".

That landscape includes a statue of FDR, but far from dominating the space, it is tucked against a red-brown granite wall, next to a loud artificial waterfall which is in some ways more striking.

Mr Halprin says a series of waterfalls have been included in the four outdoor "rooms" of the memorial, to mask the deafening roar of aircraft flying low overhead to land at nearby National airport.

He hopes the memorial, especially the fourth room, depicting the end of Roosevelt's life, will be used for meditation; but the level of air traffic noise could make that difficult despite the thundering water features.

Patti Waldmeir



Clinton has promised the addition of a wheelchair to the controversial statue of Roosevelt to be unveiled today. *Reuter*

US hails new Mexico anti-drug corps

By Leslie Crawford in Mexico City

The US government yesterday welcomed Mexico's decision to create an elite drug-fighting corps to replace the discredited National Institute for the Combat of Drugs (INCD), whose chief, Gen Jesús Gutiérrez Rebollo, was arrested in February and charged with being on the payroll of Mexico's most-wanted drug trafficker.

Mexico's new drug-fighting initiative, announced this week, appears to have been timed to meet US criticism of widespread drug corruption in Mexico ahead of President Bill Clinton's first state visit, which begins on Monday.

Mexico this year narrowly escaped decertification as an ally in the fight against drug trafficking and money laundering during the US Congress's annual review of efforts by foreign governments. Although the White House prevailed on Congress to certify Mexico as an ally in good standing, the arrest of Gen Gutiérrez Rebollo and other drug-related scandals have strained relations between Mexico and the US.

However, Mr Thomas "Mack" McLarty, the White House co-ordinator for US policy toward Latin America, yesterday said the move showed Mexico "has exhibited the will to fight against drug traffickers". The White House spokesman, Mr Mike McCurry, said: "It's a positive and encouraging development taken independently by the government of Mexico."

Mr Jorge Madrazo, the Mexican attorney-general, said the members of the new anti-narcotics squad would have to pass lie detector and anti-doping tests. The elite fighters would receive substantial pay rises to insulate them from corruption. Mr Madrazo said he had requested help from the governments of Spain, France, Italy, the UK and the US to train the force.

The attorney-general said the INCD, set up only four years ago, was being disbanded because of its "accelerated decomposition, proven corruption and infiltration by organised crime".

This is not the first time that Mexico has attempted to reform its corrupt police forces. Mr Madrazo, who was appointed in December, is the sixth attorney-general in five years to be entrusted with the task. Each has begun his term by firing hundreds of corrupt police officers, many of whom later win their jobs back through the corrupt legal system.

Mr Madrazo admitted that the judiciary would also need to be overhauled to make drug-fighting more effective. At present, the low-level magistrates who oversee most drug cases are often intimidated or bribed into releasing drug traffickers on technicalities.

The Mexican government is understood to be considering the creation of a specialised team of judges who would receive protection against the threat of retaliation by Mexico's drug cartels.

AMERICAN NEWS DIGEST

US pay-offs for lay-offs

Chief executives of big US companies continue to be rewarded with large compensation for dismissing more employees, according to a study released yesterday.

The Institute for Policy Studies, a liberal research group, said for the fourth consecutive year Wall Street has rewarded chief executives for making lay-offs by pushing up stock prices, which are the basis for the the biggest component of their compensation – stock options.

The survey, carried out with Boston-based United for a Fair Economy, found that pay for CEOs at the 30 US corporations which made the biggest sackings last year rose an average 67.3 per cent, compared with 54 per cent for CEOs at the top 365 American corporations.

Among what the groups dubbed the "lay-off leaders" and their total direct compensation – including salary, bonus and long-term compensation – last year was Mr Norman Augustine of Lockheed Martin with $23m and 3,100 dismissals. The company recently said he would give up his position as chief executive later this year, but would continue to serve as chairman of the world's largest aerospace and defence company.

The study said 459,000 US workers were dismissed in the last three months of 1996, a 2 per cent increase on a year earlier. Noting recent efforts by lawmakers, activists and even some companies to curb excessive pay, the study called the initiatives a sign American society was "getting fed up with excessive compensation," particularly for executives throwing thousands of workers on to the street". *AP, Washington*

Online bill dangers faced

America Online, CompuServe and Prodigy Services yesterday settled government allegations that "free trial" offers on the Internet resulted in unexpected charges to consumers, the Federal Trade Commission announced.

No fines were levied against the three online service providers, but they will be required by the regulatory agency to get written authorisation from consumers before tapping their bank accounts electronically.

AOL, the world's largest online service company, must also prepare a consumer education programme about the use of electronic payment systems, the agency said. It will be distributed through the Web and 50,000 colour brochures. The government said one problem was that the companies offered an introductory free service without properly letting consumers know they would automatically be billed after the free trials ended unless they cancelled the service. *Reuter, Washington*

Senate passes damages bill

The Senate Commerce Committee yesterday approved a bill to limit damages in product liability lawsuits, but opponents said it was likely to be vetoed again by President Bill Clinton. The bill would limit punitive damages in product liability cases to twice the compensatory damages or $250,000, whichever is greater. Mr Clinton vetoed a similar bill last year, saying it went too far in curbing the rights of injury victims.

The bill passed on an 11-9 party line vote, with all the panel's Republicans voting for it and all Democrats opposed.

Mr Slade Gorton, a Washington Republican and the bill's author, said excessive liability damages and frivolous lawsuits were raising prices and discouraging development of new products. *Reuter, Washington*

US water companies start to make a bigger splash

"It has the potential of becoming a giant and it certainly is sleeping." This is how Mr George Johnstone, chief executive officer of American Water Works, the biggest US private sector water company, sums up his home market.

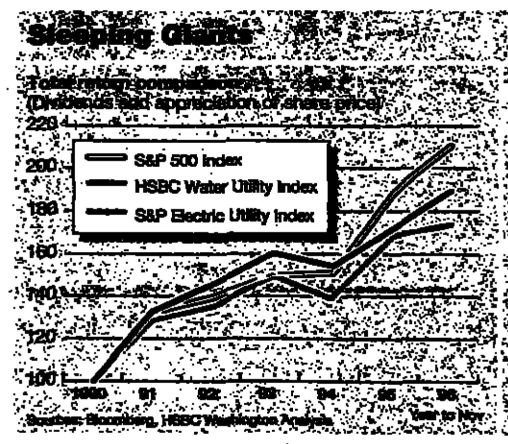
But there are signs the industry is at last stirring. American Water Works is in the final stages of negotiations for a five-year contract to run and improve the municipally owned drinking water system for the city of Buffalo, New York. Residents in this industrial town have typically paid 45 per cent more for their water than in some surrounding communities.

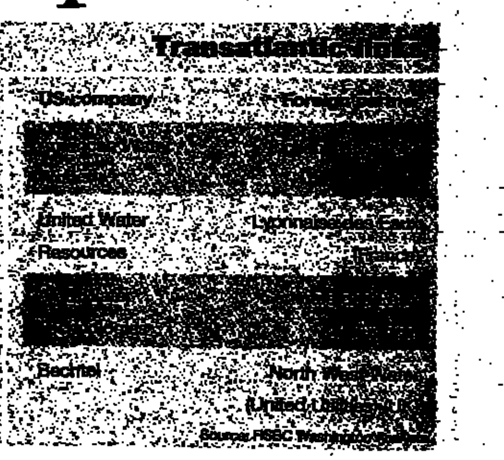
Handing the water system over to private operators is expected to save the city $22.5m through the provision of more efficient services. Such contracts are becoming more frequent.

Mr Bill Baker at National Economic Research Associates, an international economics consultancy, says the savings reported by private operators who have taken over the running of municipal utilities range from 5 to 40 per cent.

Buffalo-type deals represent the tip of the iceberg of the US market's potential. Only 10 per cent of the $50bn US municipal water market is owned or operated by private sector companies. The market's fragmentation into thousands of mostly small utilities offers scope for greater consolidation among existing players leading to economies of scale.

A number of US players have teamed up with British or French rivals, the industry's only true global players, to boost their expertise in areas such as sewage treatment as new opportunities emerge.





"It's ironic the bastion of world capitalism seems slower than other parts of the world to pick up this trend towards private operators," says Mr Chris Mellor, finance director of the UK's Anglian Water, which operates in partnership with American Water Works.

Despite the relatively low rate of return of between 10 to 12 per cent that companies are allowed to make on their investment, the main attractions of the US market are its large size, steady profit stream and absence of political risk. The combination of regulated profits and slow growth has meant the sector has underperformed the rest of the stock market in the past few years.

But an increasingly loud wake-up call for the public sector comes from a combination of shrinking public budgets and rising environmental standards for drinking water and sewerage treatment. Private operators can take on much of the financial burden of meeting those standards and offer themselves as convenient scapegoats for unpopular rate rises sometimes needed to pay for new investment.

In the US so-called privatisation takes two basic forms: outright sale of assets to private companies or granting of contracts to private operators to manage municipally owned assets. There are variations on both themes.

"This is typically American: if it's out there we've got it," says Ms Janice Beecher of the University of Indiana, a leading expert on the water industry.

Mr Robert Joseph, of EOS, a subsidiary of US Filter, says growing moves towards "privatisation" of both kinds owe a lot to the emergence of a "new breed of city mayors and managers who are impatient with the old way of doing things".

A further boost to private concessions comes from a little-noticed tax rule change by the Internal Revenue Service last January, giving municipalities an incentive to extend the duration of concessions, which are contracts to manage utilities, from five to 20 years.

As moves get under way to deregulate the electricity industry, the US water industry becomes more conspicuous as the last remaining monopoly.

A number of barriers still stand in the way of faster change. An uneven regulatory environment means the rules vary not only from state to state but give municipal operators advantages over private sector companies. "We do not yet have a level playing field," says Ms Beecher. But she says the regulatory regime is poised for change.

The system, which involves capping the rate of return companies can make, has been criticised on two grounds. One is that it can encourage unnecessary investment and the other that it is costly to operate for companies, involving price review negotiations with local regulators every year or 18 months.

But perhaps the most immediate obstacle comes from local politicians and labour unions who associate the arrival of private operators with job cuts.

They also point out that the most efficient municipal operators are capable of achieving the sorts of cost savings reported by private operators. But these are usually achieved under pressure from outside competitors in the first place, while private operators often promise not to cut staffing levels in order to secure contracts.

Leyla Boulton

هكذا من الأصل

One Bank Worldwide.

Schweizerische Bankgesellschaft

Union Bank of Switzerland

瑞士聯合銀行
Union Bank of Switzerland

Union de Banques Suisses

Uniun da Bancas Svizras

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Union Bank of Switzerland

Unione di Banche Svizzere

União de Bancos Suíços

Union Bank of Switzerland
Union de Banques Suisses
(Canada)

Unión de Bancos Suizos

UBS

スイス・ユニオン銀行
Union Bank of Switzerland

Thai dilemma for tobacco companies

By Ted Bardacke in Bangkok

Foreign tobacco companies are in a quandary over how to respond to stringent Thai health regulations which will require them to disclose the ingredients in their cigarettes. The Japanese and western governments plan to file a complaint at the World Trade Organisation, claiming discrimination, and the companies themselves may even pull out of the country.

The regulations, under discussion for nearly five years and just approved by Thailand's chain-smoking public health minister, Mr Montree Pongpanit, require tobacco companies to give the ministry a list of the ingredients in each of their brands.

Tobacco companies object because of fears over inadequate intellectual property protection. They worry that their ingredient list will end up in the hands of their competitors, including the powerful government-owned Thai Tobacco Monopoly, or, even worse, international anti-smoking activists who are keen to learn what exactly goes into a particular cigarette.

By law, the formulas are supposed to remain the property of the public health minister. But, with Thai governments continually coming and going (Mr Montree is the third public health minister in as many years), and intellectual property laws only weakly enforced, tobacco companies have grounds for concern.

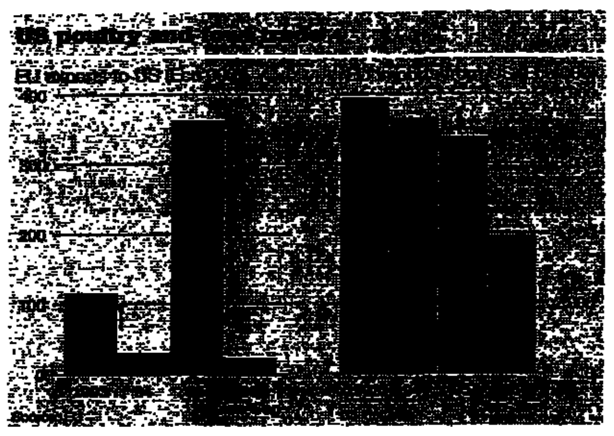
Foreign companies are willing to provide a list of their ingredients by company rather than by brand and have approached successive ministers to have the regulations modified, without result. They still hope for a chance to negotiate before the regulations become law.

"We are happy to comply; we give out lists of ingredients all over the world now. But we have trouble with a certain style of disclosure," said one tobacco company executive. "We won't hand over our brand integrity to our competitors."

Some governments believe the regulations may breach WTO rules because they do not protect intellectual property adequately and may discriminate against foreign tobacco companies in favour of the Thai Tobacco Monopoly. But with public opinion against the tobacco industry, western diplomats say there may no longer be the political will to bring the issue before the WTO, especially since the market for imported cigarettes in Thailand in 1995 amounted to only $41m, about 5 per cent of the Thai market.

EU's deal with US averts food trade war

By Nancy Dunne in Washington



The US and European Union have averted a transatlantic trade war over food in a last-minute agreement to accept each other's testing and inspection regimes.

The deal, agreed on Wednesday, covers more than $1.5bn in US animal product exports to the EU and an equal value of EU exports to the US, according to US officials.

However, the two sides were unable to agree on a "veterinary equivalency" regime governing poultry. Both insisted the other's methods of testing and inspection were inferior.

The result will be a virtual ban on poultry exports from each side.

Since April 1, the original deadline for agreement, the EU has blocked US exports of red meat, poultry, eggs, dairy products and fish, worth an estimated $125m a year. These will all be resumed, except for poultry sales.

The US had threatened to block $300m worth of EU meat exports unless agreement was reached yesterday.

The objective of the veterinary equivalence agreement is to facilitate trade by recognising that each side can achieve equivalent – while not identical – levels of public and animal health protection. American officials have complained that the EU has been pushing the US to adopt its more bureaucratic methods rather than accept equally safe US practices.

The US will now "delist" EU poultry establishments approved for exports to the US. The EU said this was "an unjustified action" against an industry which had made clear commitments to the US that it would comply with its requirements.

"The US action would be clearly in breach of its [World Trade Organisation] obligations, and the EU would have to consider the appropriate action to be taken."

US officials said they hoped eventually to agree on poultry standards, and claimed that only a comparatively small amount of trade would be affected – $50m in US poultry exports and $1m in EU chicken paté sales to the US.

The EU said the US had refused the offer of a temporary arrangement governing poultry which would have allowed use of some anti-microbial treatments not permitted in the EU.

It would not have allowed the US practice of decontaminating poultry with chlorine rinses, which the US contends is safer than EU processes.

US poultry producers accused the EU of using the inspection standards dispute in a "blatant attempt to restrict competition from US poultry companies".

Keeping flag flying over Chinese trade

By Laura Tyson in Taipei and John Ridding in Hong Kong

Representatives from Taiwan and Hong Kong hold talks today on the thorny issue of shipping links after the British colony returns to Chinese sovereignty in July.

The main issue is which flags ships should fly on the routes between Taiwan and Hong Kong, since neither Taipei nor Beijing recognises the other as a legitimate government. Both sides are seeking agreement to remove uncertainty over the trade, which is the main economic link between Taiwan and the mainland.

Taiwan has authorised Mr Chang Liang-jen, deputy secretary-general of the semi-official Straits Exchange Foundation, to meet Mr George Chao, chairman of the Hong Kong Shipowners Association and Beijing's designated negotiator. Officials from Taiwan's policy-making Mainland Affairs Council and transport ministry are expected to be present at the talks.

Upon departing for Hong Kong, Mr Chang urged his Hong Kong counterparts to be practical. "The shipping matter should not be politicised," he said. Shipping sources in Hong Kong, however, said a further round of negotiations might be needed to resolve issues ranging from the accreditation of documents and shore rights for crews.

Should this round fail to secure an agreement, further talks will be held in Taipei.

Taiwan is seeking to maintain the status quo in shipping links with Hong Kong, the channel through which more than $30bn in Taiwan investments have poured into China since the late 1980s when a political thaw prepared the way for a increase in unofficial Taiwan-China ties. The colony is also the conduit for Taiwan's rising exports to China.

Taiwanese shipping companies fear that failure to reach a compromise could bring vital bilateral shipping links to a halt.

According to maritime practice, vessels must fly the flag of the country in which they are arriving, except after sunset, when no flag is required. Taipei has proposed that both Taiwanese and Hong Kong ships lower all flags and identify themselves through telex communications before entering each other's waters.

"Trade, investment and transportation links between Taiwan and Hong Kong are mutually beneficial," said Mr Chang. "The Taiwan side will adopt a pragmatic attitude in a shipping link arrangement. We hope the Hong Kong side can face the talks with the same attitude."

Hong Kong-registered ships will fly the Chinese flag above the future Hong Kong flag after China assumes control of the territory on July 1 after more than 150 years of British rule.

Taipei has said it will welcome ships flying the red five-starred flag of the communist People's Republic of China – but only if Beijing and Hong Kong tolerate vessels flying the flag of the exiled Republic of China on Taiwan.

China regards Taiwan as a renegade province and refuses to recognise the Republic of China government that has ruled the Nationalist redoubt since losing the mainland in a civil war in 1949 and fleeing to the island. Taiwan, which has banned direct links with China since 1949, has agreed to allow limited direct shipping with the mainland.

Under its scheme, mainland cargoes are not allowed to enter Taiwan customs, but can be processed at an offshore transshipment centre in the island's southern port of Kaohsiung for onward passage to third countries.

WORLD TRADE NEWS DIGEST

Hong Kong in copyright row

The Hong Kong government yesterday protested against a US decision to place the territory on a watch-list aimed at curbing copyright piracy. "Given the considerable and persistent anti-piracy efforts and initiatives the government has made, we consider it most unjustified to place Hong Kong on the watch-list," a spokesman said. He said the territory's customs had seized nearly 1m copies of suspected pirated compact discs, video compact discs, and CD-Roms last year, 164 per cent more than 1995. Their estimated value was HK$47m (US$6m).

Friction over the issue could ultimately lead to trade sanctions from the US, second only to China as Hong Kong's biggest trading partner. The Hong Kong government said its fight against copyright pirates would be helped by passage of the Copyright Bill, expected in June. After this, the customs commissioner would have the power to disclose information to copyright owners to help them establish infringement and pursue civil action.

The spokesman also cited increased co-operation with enforcement authorities on the mainland with the aim of preventing pirated products from entering Hong Kong. "A number of parallel operations have been mounted with relevant Chinese authorities at the border," he said. *John Ridding, Hong Kong*

Macao-China bridge planned

A consortium of Chinese businessmen from Macao is planning to build a 38km bridge from the Portuguese enclave to neighbouring Hong Kong, a Macao government official said yesterday. The HK$13bn (US$1.7bn) project is expected to take four years, according to Mr Leonel Miranda, head of the Portuguese delegation to the Portugal-China Infrastructure Co-ordination Commission.

Mr Miranda said the two delegations had also reached preliminary agreement on building a 4km bridge between Macao's Taipa island and Henqin island, located off the coast of the Zhuhai special economic zone in southern China. According to Mr Miranda, the bridge would extend the planned Beijing-Zhuhai highway. He said the two sides understood the bridge would be completed by 1999, when Macao is to return to China. *John Ridding*

Brittan berates Canadians

The European Union yesterday chided Canada for its lack of action against the US Helms-Burton law, which penalises foreign companies for doing business in Cuba. "We put our head above the block and Canada has declined to do so," Sir Leon Brittan, the EU trade commissioner, said.

The EU had threatened to challenge the US through the World Trade Organisation over the Helms-Burton law. Last month, the Commission reached a deal with Washington, under which the EU agreed to suspend its action in the WTO and the US government agreed to continue to suspend a key clause in the law. The two parties will continue to discuss the anti-Cuba law through the multilateral investment agreement under the Organisation for Economic Co-operation and Development, rather than pursue the debate through the WTO. "There'd been a sort of informal understanding of the division of labour, that we would go ahead under the WTO and Canada would go ahead under Nafta," Sir Leon said. But Canada has hesitated to challenge the Helms-Burton legislation under the North American Free Trade Agreement. *Reuter, Toronto*

Internet proposal divides providers

By Louise Kehoe in San Francisco and Frances Williams in Geneva

Internet access service providers are divided over a move to change the "naming" conventions of the World Wide Web through which companies and individuals register the addresses of their Web sites.

In Geneva, an international ad hoc committee formed by the Internet Society, a group representing technical and commercial Internet interests, yesterday pledged its support for a new self-governing system for registering Internet addresses and providing a global mechanism for resolving disputes.

Some 56 companies and other groups signed a memorandum of understanding supporting a new system. Another 23 have said they will sign }later.

Among yesterday's signatories were MCI and Digital Equipment of the US, Telecom Italia and Sweden's Telia, while future adherents include France Télécom, the US's UUNet Technologies and the China Internet Information Centre.

However, many of the estimated 6,500 Internet access service providers, including some of the largest, oppose the new naming system.

Mr William Schrader, chief executive of PSINet, which carries an estimated 15 per cent of all Internet data traffic on its networks, said he had withdrawn his support for the proposal.

"The proposal is not approved until the entire Internet community approves it," he said, pointing out that new domain names would not be recognised by Internet service providers' computers until technical changes were made. Without their support the changes would not happen. Network Solutions, the US company contracted to the US National Science Foundation to register new Web site addresses, also opposed the changes.

Battle to succeed Rafsanjani takes shape

Iran's presidential election will see a real contest despite the mullahs' influence, reports **Robin Allen**

For all the odium heaped on it as a "terrorist" state, Iran has some democratic processes that are respected even by the regime's more unsavoury elements. These include national elections every four years for both the *majlis* (parliament) and the presidency. Official campaigning for the latter is about to start.

Senior western diplomats liken the control exercised by Iran's clerical hierarchy over certain key institutions to the power of Democratic party bosses in Chicago during the 1930s. "Nice and old-fashioned," one commented wryly.

Nevertheless, some features of Iran's electoral system are more liberal than even the US or Europe; and more advanced than all of the Arab states on the southern side of the Gulf.

Iran's voting age is 15, and suffrage is universal. Out of 270 members of Iran's parliament, 17 are women – as high a proportion as the last parliament in the UK. In fact, women may both work and drive in Iran, which they may not do in Saudi Arabia, for instance. (Tehran's male taxi drivers have a saying: "Give a very wide berth to women drivers who smoke.")

The campaign to elect a new president on May 23 will be the fifth since the 1979 Islamic revolution toppled the Shah.

If last year's parliamentary elections are any guide, the turnout will be 75 per cent of the 32m electorate. A run-off will take place six weeks later if no candidate gets more than 50 per cent of the vote on May 23.

Nearly 240 candidates, twice as many as in the last presidential election in 1993, have put their names forward.

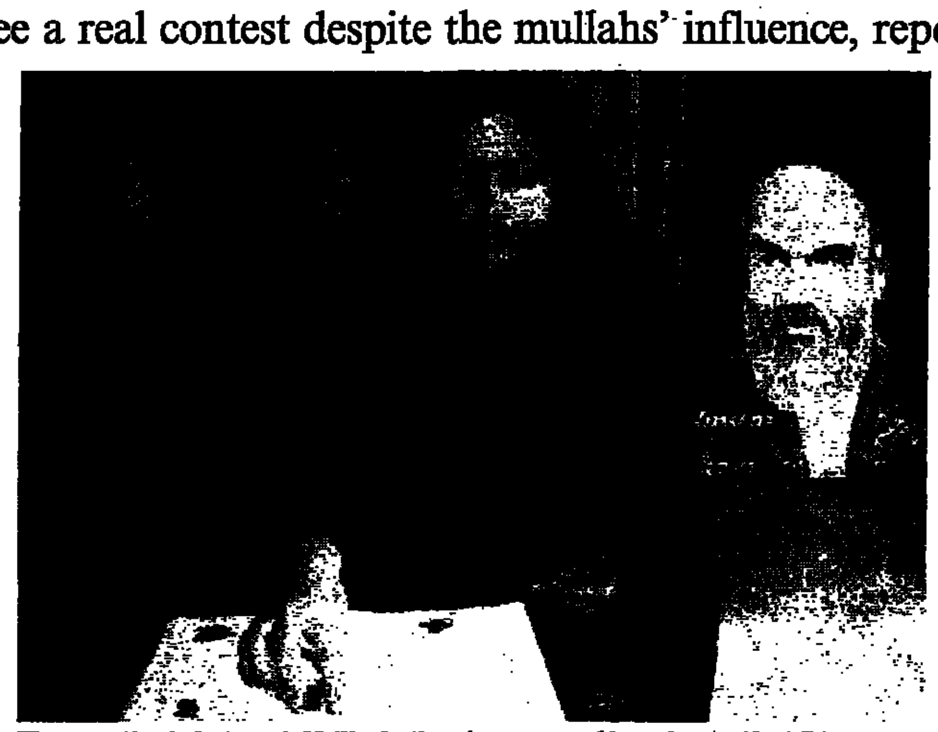
They are being screened by the Council of Guardians, half of whose members are appointed by Iran's spiritual leader, Ayatollah Ali Khamenei. Apart from vetoing candidates before elections, the council can also annul results. "This practice", remarked one Iranian commentator, "is obviously the most undemocratic element in Iran's constitution." At the last elections all but four candidates were rejected for their lack of "practical belief" in Islam, or obedience to the Shia-inspired political system.

The winner will succeed President Hashemi Rafsanjani, the incumbent since 1989, whose second four-year term expires in August. He is constitutionally barred from standing a third time.

The favourite is Hojatolislam Ali Akbar Nateq Nouri, speaker of the 270-member *majlis* and a former interior minister.

He is backed by Ayatollah Khamenei and other senior clergy, and by the majority conservative faction in the *majlis*.

Observers point out that Mr Nateq Nouri has made clever use of his official position as speaker to get constant publicity, most recently this month on his visit to Moscow, when he met Russia's prime minister, Mr Victor Chernomyrdin, "and generally behaved like a future president".



Women voting in last year's Majlis election. A woman could run for president this month

Other candidates, who have no official position, are barred from campaigning until they have been approved by the Council of Guardians. That means they will have a maximum of two weeks to get the kind of nationwide publicity Mr Nouri has had since he was elected speaker last June.

His main rival is Mr Mohammad Khatami, a middle-ranking 54-year-old cleric who is backed both by left-wing groups and by the G-6, a centrist grouping of technocrats which was formed only last year to contest the parliamentary elections, and which now forms the second largest "alliance" in the *majlis*.

A feature of this election is that a woman is running for the first time. Azam Taleghani, a *majlis* deputy and expert on social issues, is the daughter of Ayatollah Taleghani, an important figure in the years of left-wing governments after the 1979 revolution.

According to Mr Gary Sick of New York's Columbia University, a specialist on Iran and member of former President Jimmy Carter's National Security Council, the constitution is ambivalent about the legality of a woman standing for president. But if she is approved by the Council of Guardians, she could split support for Mr Khatami among younger female voters.

Whoever wins will have little opportunity for initiatives in either economic or foreign policy, however.

Parameters of the former are set by the 1995-2000 development plan, which foresees only gradual structural reforms, including reductions in state subsidies. These measures have already been passed by the *majlis* – "a bastion of economic nationalism", one Iranian commentator remarked, "which has already shown President Rafsanjani it can hold up the pace of reform".

Despite its vast natural resources and a pat on the back this week from the International Monetary Fund for its broad economic policy, Iran's annual gross domestic product per head, in a population of 67m, is less than $1,000.

Foreign policy-making is also largely out of the president's hands. According to Mr Mohammadreza Bahonar, a right-wing MP, foreign policy is set not by the president, but by the eight-member Supreme National Security Council, in which the president is only the first among equals.

The next president will also have to contend with Mr Rafsanjani, whose continuing political presence is ensured by his appointment as head of an enlarged Expediency Council.

The purpose of this group is to mediate in the case of a stand-off between the *majlis* and the Council of Guardians. In these cases it already has the last word. But doubled in size and with Mr Rafsanjani as its head, it may wield even more power.

"This election is very important," commented Mr Sick, "not least because it is the first public re-affirmation of the constitutional processes. Whereas former presidential elections have been decided behind closed doors, this time there is real competition."

Arab leaders gloomy on peace

By Mark Huband in Cairo

Arab leaders believe there is little hope of reviving the Middle East peace talks soon, partly because of Israel's failure to respond to US pressure.

After four hours of discussions in the Egyptian resort of Sharm El-Sheikh yesterday, Egypt's President Hosni Mubarak and Syria's President Hafez Assad both bluntly betrayed the growing despondency among Arab leaders.

"Under present circumstances, no one can determine, with confidence or positively, if there will be peace or not," said Mr Assad, with uncharacteristic candour.

He added: "There is nothing that can convince any Arab or non-Arab citizen that the doors of peace are open. Neither the statements nor the actions of the Israeli government indicated that their direction is that of peace. Until now, my opinion is that the doors of peace are closed."

Mr Assad's traditional scepticism of the current Israeli government's commitment to peace has generally contrasted with that of President Mubarak.

But yesterday the Egyptian leader appeared increasingly worried about the prospects for peace.

He said: "We are all wondering how to move the peace process forward before it becomes buried. We can see that there are problems between the US and Israel on this issue, but we are giving it time in the hope that the US can achieve something with Israel."

His comments implicitly acknowledge that direct attempts by Arab states, including Egypt, to soften Israeli policies are no longer seen as effective.

● Mr Dennis Ross, US special Middle East envoy, will travel to the region next week to try to help get the peace process back on track, the State Department said yesterday.

Rebels raise new doubts over Zaire peace talks

By Michela Wrong in Kinshasa

A US-arranged meeting between President Mobutu Sese Seko and the Zairean rebel leader, Mr Laurent Kabila, looked in doubt yet again yesterday, as the rebels challenged the terms of the agreement on which the meeting was founded and confusion reigned over its date.

A spokesman for the Alliance of Democratic Forces for the Liberation of Congo (AFDL) claimed that Mr Bill Richardson, the US troubleshooter, had "misled everyone" in saying there were no preconditions for the face-to-face summit aboard a South African warship.

"We thought it absolutely important to set the record straight. We have agreed to go to the talks and so has Mobutu on condition that only his departure will be subject to negotiations," said Mr Bizima Karaha, the AFDL's "foreign minister", reiterating the movement's long-held position.

"This was a prime condition for the talks and we are happy to know negotiations will start and Mobutu has agreed to come and negotiate. He comes knowing full well what the terms of negotiations are: his departure," he said.

The AFDL's hard-line position was unlikely to be accepted by Mr Mobutu, president for 32 years. Ensconced in his residence inside a military barracks, he has shown no signs yet of being ready to cede to western pressure to resign.

Analysts said the latest rebel statement could well scupper the deal announced on Wednesday by Mr Richardson, US ambassador to the United Nations, after two days of shuttling between Kinshasa and the rebel-occupied city of Lubumbashi.

Regarded as something of a diplomatic coup, the agreement was based on the premise that both sides would save their key demands – a ceasefire for Mr Mobutu's side and Mr Mobutu's departure for the rebels – for discussion. Complicating matters were apparent misunderstandings over what day was fixed.

The summit is regarded as the last chance for a peaceful solution before the AFDL attacks Kinshasa, the final chapter in its seven-month military onslaught. AFDL troops, who earlier this week seized the town of Kikwit, 400km east of Kinshasa, were yesterday reported to be advancing with armoured cars and heavy artillery, as the Zairean army withdrew, blowing up bridges to slow the rebels down.

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London would risk losing role of financial centre of Europe to Frankfurt, says chairman

BMW chief warns against shunning Emu

By Richard Adams, Economics Staff

The head of BMW, the German car manufacturer which owns Rover, has said that the UK will lose its role as Europe's leading financial centre if it stays outside a European single currency.

Mr Bernd Pischetsrieder, the group chairman of BMW, warned that British manufacturing would be harmed if the country did not take part in European economic and monetary union. He also said Frankfurt would take over from London as the main financial centre in Europe.

"If Britain should stay out for a long time at the beginning, I think the financial capital of Europe will be Frankfurt, not London any more," Mr Pischetsrieder told the BBC World Service in an interview to be broadcast on Sunday.

Mr Pischetsrieder said the UK "must fight" to join a single currency, the first stage of which is due to start in 1999.

"Otherwise, the same thing will happen to British industry as happened about 25 years ago when Britain did not from the beginning join the European market," he said. "We on the Continent faced competition from the beginning; [the UK] didn't."

Remaining outside a single currency zone would also hurt British manufacturing, Mr Pischetsrieder warned.

"This is very easily described. BMW will earn more money by exporting more BMWs to Britain, and Rover will increase its losses because they are already selling more than 50 per cent outside Britain, which means Britain will be less competitive. "You can't increase local selling prices, so Rover is accumulating higher losses, and so is everybody else manufacturing in Britain," he said.

Mr Pischetsrieder, who was chairman of BMW when it bought Rover in 1994, has shown that he is not afraid to move manufacturing to more profitable sites.

He moved some of the company's production to the US to avoid high German labour costs.

This year, Mr Walter Hasselkus, the chairman of Rover, said that the strength of sterling was a worry for Rover's exports. He warned that if the pound continued to move higher, Rover might have to obtain more supplies from outside Europe.

Late last year the British government gave BMW regional assistance worth £22.5m ($36.45m) to ensure that a £400m car engine plant would be built by Rover in England rather than Austria. The plant is to produce 500,000 engines a year.

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Reuters

Rooftop protests by anti-republican "loyalist" inmates at Northern Ireland's Maze Prison (above) are expected to end after talks yesterday in Belfast, the region's capital. Security chiefs met politicians close to banned "loyalist" paramilitary groups who claimed that prisoners' complaints about tighter rules had been met. The politicians rejected suggestions that bomb alerts in the centre of Belfast yesterday were linked to the prison protests

High cost of 'economic terrorism'

A series of hoax calls by the IRA can have a bigger economic effect than a bomb

Bomb scares and small explosions have disrupted English main roads, airports and railway stations during the general election campaign.

There have been injuries but no damage to match that caused in London's Docklands just over a year ago in the explosion that marked the end of the Irish Republican Army's 18-month ceasefire. But the costs of this recent form of economic terrorism may have been nearly as great.

After seven alerts in the past five weeks, the UK's haulage industry is facing a bill of at least £30m ($48.6m), an estimate regarded as "highly conservative" by the Freight Transport Association.

The industry body, which represents haulage companies that own roughly half the 420,000 trucks in the UK, only estimates the extra cost to run trucks caught in the gridlocked roads. It makes no attempt to assess the impact on the UK's 3m delivery vans or the train companies which have also suffered from the alerts.

"At the end of the day, who is going to pay?" asks Mr Clive Savigar, director of Coleshill Freight Services which operates 14 trucks from the West Midlands. "The whole point about this terrorist action is to try and force us to look to the government because there is no one else to blame."

Manufacturers and food retailers are likely to levy penalty payments if hauliers fail to meet strict deadlines. The tight delivery schedules imposed on road hauliers by large retail groups mean even short delays can lead to a consignment being turned away by the customer.

"Ninety-nine per cent of our customers have booking slots," says Mr George Percival, planning manager at Eddie Stobart, one of the UK's largest hauliers. "If we are booked in for 10am but can't get there until noon, they will say they don't want the delivery and may rebook it to the next day."

Stobart, which has 605 vehicles in its delivery fleet, estimates losses from the recent series of IRA actions at hundreds of thousands of pounds. Customers such as Britvic and Coca-Cola, the soft drinks suppliers, require 99.6 per cent reliability of delivery over the year.

The impact on manufacturers may be overstated. One large car producer in the Midlands says its just-in-time stock management has so far coped with the road delays. "It has caused some pain with parts like steering wheels and radiators, but it is not that critical," the company says.

Costs are far greater for train companies. Mr Richard Brown, managing director of train operations at National Express Group, says the disruptions hit leisure travel at train companies such as Midland Main Line.

"We are concerned that families say they don't want to go to London from the Midlands because of the bombs," he says. "Trains have been quieter on Mondays and Fridays over the past fortnight."

From the IRA's perspective, its current campaign is justified in political and tactical terms. As well as winning huge publicity, it has stretched the resources of police and security services at relatively small risk and expense to the IRA. Threats involve far less organisation than the planting of a bomb.

Economic terrorism has been part of the IRA's strategy for decades, but the sustained scale of the current campaign on the British mainland is unprecedented.

The hardest hit are the thousands of small haulage companies which have few options but to soak up the costs of the terrorism. Some have called for the government to relax inspections of drivers' tachographs following security alerts in line with current policy during severe winter weather. But few expect support.

Richard Wolffe
Charles Batchelor
Jimmy Burns

IBM in outsource deal with retailer

By Peggy Hollinger in London

Asda, Britain's third-largest supermarket chain, has agreed to transfer all its internal computing work to International Business Machines in a £200m ($324m) deal, one of the largest IT outsourcing deals in the UK.

The agreement comes less than three weeks after British Steel pulled out of negotiations over a £350m outsourcing contract with IBM, claiming the US group had failed to meet its commercial requirements.

Mr Allan Leighton, Asda's chief executive, said he was confident Asda would not encounter the same problems, and that detailed agreements had been signed after a year of negotiations. "There are very clear service delivery targets which will be reviewed constantly," he said.

Mr Leighton is understood to have received personal assurances from IBM's chairman, Mr Lou Gerstner, that the computer group would deliver on its pledges.

Mr David Maki of IBM said British Steel's experience had forced the two parties to resolve "all the issues that could have divided us" in advance.

The deal would also help Asda to cut head office costs. About 200 Asda employees will be transferred to IBM, reducing the total staff at Asda's head office to 800. Mr Leighton said there would be no job losses. Recently Asda contracted out its internal auditing process to Arthur Andersen, the accountants.

Analysts said that although the deal represented a marginal increase on average spending, there would be some benefits.

"It will not have a positive effect on the profit and loss account in the near-term," said Mr Mike Dennis of NatWest Securities. "But it will be over time."

Outsourcing is a rapidly growing market, estimated at £1.7bn a year in the UK alone and forecast to rise to £4bn a year by 2000.

Survey predicts rise in use of intranets

By Paul Taylor in London

At least four out of 10 British businesses will be running a corporate intranet – a local computer network based on open Internet technologies – by 2002, says an independent report prepared for British Telecommunications.

The report, based on the analysis of interviews conducted by the Future Foundation with 1,000 British companies, reinforces the view in the IT industry that the global market for intranet technologies will dwarf the Internet by the millennium.

However, it reveals that UK businesses are largely ignorant of the advantages of building intranets, and says the potential of intranets in Britain has been overshadowed by the hype surrounding the Internet.

Intranets are based on the open protocols and browser software of the Internet.

Advocates of the intranet claim it delivers rapid returns on investment, cuts costs and improves communications and business processes.

The report says six per cent of companies are using an intranet, nearly 10 per cent plan to introduce the technology and a further 30 per cent expressed an interest in using it.

IT and sales and marketing were the departments within a company most likely to be using an intranet. The main perceived barrier to adopting an intranet was price, although staff acceptance and training, and concern about security were also mentioned.

"The UK intranet market is estimated to be worth £1bn ($1.62bn) by the millennium," said Mr Rupert Gavin, BT's director of Internet and multimedia services. "It is a technology that is being adopted fast in competitor economies such as the US but has not received the same attention in the UK.

"For many businesses intranets are likely to be of more significance than the Internet, but the survey shows there is still a lack of understanding of this new business tool."

Nearly a third of the survey's respondents admitted they had never heard of an intranet and a further 13 per cent said they had heard the term but did not know what it meant.

BT operates one of the largest intranets in Europe and says it made savings of £305m last year.

Agents who play both ends against the middle

Many footballers' representatives are trying hard to clean up their image, **Jimmy Burns** reports

The film *Jerry Maguire*, starring Tom Cruise as the eponymous US sports agent, speaks eloquently of love and loyalties among sportsmen and their representatives. But in English soccer at least, the real world of agents remains cut-throat and controversial.

A rare official glimpse into this world will be provided later this month when the Premier League is expected to publish the result of an investigation into the transfer system that will confirm widespread links between leading clubs and agents. It will also show how agents can represent multiple interests, often drawing commissions from a player and the two clubs involved.

The three-year investigation was sparked by concern over the circumstances of the £2.1m ($3.4m) transfer in 1992 of Teddy Sheringham from Nottingham Forest to Tottenham, but has been widened to cover dozens of transfer deals in recent years. In some cases, investigators are thought to have discovered that large amounts of money remain unaccounted for, having been received by neither the selling club nor the official agent involved.

Less of a mystery is a transfer deal involving Rune Hauge, the Norwegian football agent, and soccer manager George Graham, who in July 1995 was charged by the Football Association with bringing the game into disrepute. It was alleged that £425,500 Graham received from Hauge was part of money paid by Arsenal, the club he was then with, for the transfer of two non-British players, John Jensen and Pal Lydersen.

Mr Graham admitted taking the money but insisted it was an "unsolicited" gift. After an investigation, Mr Graham returned the money to Arsenal. He was ordered to pay an undisclosed amount of costs involved in the case and banned by the FA from all soccer activities for a year. Hauge is facing trial in Norway for alleged financial irregularities.

Since the Graham case, Fifa, world soccer's governing body, has introduced a licensing system for agents. Under this, each agent must register a SFr200,000 ($135,000) security with Fifa, produce evidence of good character and obtain the backing of his domestic soccer association to secure a licence. At the end of March, 233 agents had the Fifa seal of approval.

However, the widespread feeling within soccer is that Fifa's action has proved ineffectual in stamping out some of the more unscrupulous agents, who continue to avoid official scrutiny.

Mr Alan Sugar, the chairman of Tottenham Hotspur, says: "A lot of agents are spivs ... they divert funds to special bank accounts, take money from both sides involved in the deal. Some of them are absolute crooks – no doubt about it." Sensitive to such criticism, several licensed agents in the UK have defended their profession, and called for stricter regulation by Fifa.

The desire to be seen to be cleaning up their act led more than 50 agents, about 18 months ago, to form the International Association of Football Agents (IAFA) to lobby for a stricter regulatory framework. One of its founders, Mr Dennis Roach, believes that the airing of the "bung" scandals is having a purifying effect.

"Players and clubs are becoming increasingly nervous about dealing with unlicensed agents," says Mr Roach. His association is preparing in the next two months to publish a blacklist of between eight and 10 unlicensed agents who, it believes, should be banned from operating for life.

Fifa has 40 English agents registered compared with 28 in Spain, 22 in Germany and 19 in France, reflecting not only the high number of professional players in the UK but also the high revenues that the Premier division generates through sponsorship and television deals.

Agents' power can only grow as the Premier League becomes a potent force in European soccer and the Bosman ruling frees the transfer system. As Mr Mike Lee of the Premier League says: "Agents form part of the modern reality. What we want to do is put them on a proper regulatory footing."

Liverpool University, in north-west England, is starting what is thought to be the world's first MBA in football industries next September, Simon Kuper writes.

Mr Rogan Taylor, the director of the university's football research unit, promises "a business course that also includes a considerable amount on the culture and history of the game".

The one-year MBA will offer courses ranging from marketing through organisational behaviour to "the social history of football in Merseyside [the Liverpool area] and in Britain". The business courses will be taught at Liverpool's Institute of Public Administration and Management.

The man in charge is unlike other MBA programme directors. Mr Taylor left school at 16, spent a year in Iraq, and for a decade wandered through Asia. He came home, went to Lancaster University, and ended up with a PhD on Siberian shamanism and the Faust legend. Later, at Leicester University, in the English Midlands, he began writing football books. His latest is on the great Hungarian footballer Ferenc Puskas.

Mr Taylor thinks students for the MBA will come chiefly from industries linked with football: companies which own football clubs, advertising and marketing businesses, football associations, local councils and the media. He hopes they will come from all over the world – students from outside the European Union pay higher fees.

They will have the chance to work at local clubs during their course. As the brochure states, the campus lies in the middle of one of the world's leading soccer cities.

UK NEWS DIGEST

Fidelity unit is fined $324,000

The Securities and Futures Authority has fined low-cost broker Fidelity Brokerage Services £200,000 ($324,000) for a collapse in the level of customer service after the introduction of a new computer system. The fine is the second largest ever imposed by the stockbroking watchdog.

FBS has agreed to pay the SFA's costs of £162,500. The regulator said that FBS had meanwhile suffered "a significant loss of revenue" during the six months from the end of last October that it was closed to new business. According to an SFA statement FBS has admitted that its operations and customer services were "significantly out of control" during the summer of 1996.

The broker, which belongs to the leading international fund management and broking group Fidelity Investments, has admitted a series of failures. These caused it to break two important rules set out in the rules imposed on authorised firms by the Securities and Investments Board.

Last year, FBS advertised extensively to lure new business into its self-select personal equity plans. Customers complained that FBS lost share certificates, bought and sold shares on their behalf but without their permission, and that employees repeatedly failed to return phone calls about errors. *Jonathan Guthrie, London*

■ MATTEL

Production to move to Italy

Mattel, the US-owned toymaker, is to close its sole manufacturing plant in the UK and move production to Italy on grounds of cost competitiveness.

But yesterday Mattel said that by transferring production from the UK to Italy it would save the cost of running a large manufacturing plant.

Its Italian activities are based on subcontractors around Italy who make products for Mattel. "It means the Italian operation doesn't have the overheads of a large operation," said a Mattel spokesman. "The major issue is not having to run a large plant."

The UK plant, at Peterlee in northern England, was set up 20 years ago by Fisher Price, which Mattel acquired in 1993. Mattel said the plant, which makes Scrabble and larger toys including garages and bubble mowers, would have needed major conversion to move its output towards smaller products, such as electronic items which are now in increasing demand. *Chris Tighe, Newcastle-upon-Tyne*

■ CROSS-BORDER BROADCASTING PLAN

More Irish state TV for N Ireland

Radio Telefís Éireann, Ireland's state-owned television company, could soon be received in two out of every three homes in Northern Ireland under a deal with the UK which is expected to be signed soon. RTE has been allocated a frequency by the British authorities to transmit direct into Northern Ireland.

RTE, the Irish state broadcaster, is already received in about 30 per cent of households in the north through a technical overspill of its regular service to viewers in the Irish Republic. If final agreement is given, RTE's Northern Ireland transmissions could be running by July.

The issue has long been a bone of contention between London and Dublin, with Irish officials arguing that if Northern Ireland Protestants had more exposure to Irish programming, they would have a less jaundiced view of life in the Irish Republic.

The issue is also a commercial one, as both BBC Northern Ireland and more particularly Ulster Television, which like RTE relies on advertising revenues, are now available in 70 per cent of homes in the Irish Republic since the advent of cable. *John Murray Brown, Dublin*

■ REGULATION

Call for single watchdog

Mr Peter Rogers, chief executive of the Independent Television Commission, called yesterday for the creation of a single regulatory body for UK television to replace the present range of bodies with overlapping responsibilities.

At the moment there are separate regulatory bodies for commercial television, the BBC and the Welsh language channel. Complaints about taste, decency and fairness are handled by the Broadcasting Standards Commission, formed from a merger between the Broadcasting Complaints Commission and the Broadcasting Standards Council.

With an increasing number of channels and rapid changes in technology, Mr Rogers said there was now "a need for a thorough overhaul in the structure of television regulation".

The ITC was responsible for regulating new BBC commercial services provided on cable and satellite and soon to be provided for digital terrestrial. Yet many of the programmes on the new channels had already appeared on either BBC 1 or BBC 2 and had already been regulated by the BBC itself. *Raymond Snoddy, London*

■ MANUFACTURING

Domestic demand lifts sector

Activity in Britain's manufacturing sector accelerated last month as growing demand from domestic customers more than compensated for the weakness of export orders. The latest purchasing managers' survey from the Chartered Institute of Purchasing and Supply showed factory export orders increasing in April, but at their slowest rate for almost a year. Export orders have been weakened by the strength of the pound, although the impact of sterling's 16 per cent rise since last August has been offset in part by stronger economic growth in the US and Far East. The headline purchasing managers' index showed activity – a composite measure including output, orders and employment – picking up more quickly in April than March. But the expansion was slower than in the previous two months.

"This appears to be an almost perfect scenario for the manufacturing economy," said Mr Peter Thomson, CIPS director general. "There is steady growth, but it is not running away." *Robert Chote, London*

■ REGIONAL GROWTH

Channel link 'will boost jobs'

Some 50,000 jobs are expected to be created in the south-east England county of Kent by 2006 as the result of improved communications because of the Channel tunnel between England and France and the siting of the UK's largest out-of-town retail centre at Dartford, according to a survey sponsored by the county council.

The county's economy is forecast by accountants Ernst and Young to grow at an annual rate between 2¾ per cent and 3 per cent with up to 6,000 jobs being created by construction later this year of the Channel Tunnel Rail Link. Estate agent Chuttons says that commercial property rents are rising in the county as firms are attracted to the region by improved transport connections to mainland Europe. *Andrew Taylor, London*

RECRUITMENT

Employee share ownership fosters understanding and mutual respect, says **Richard Donkin**

Sharing the action without conflict

Delegates who gathered at the annual convention of the Institute of Directors at the Albert Hall in London last week were asked to address what for some may have been an uncomfortable observation.

Stuart Hampson, chairman of the John Lewis Partnership, said: "It cannot be right that in most businesses, incentives and rewards are focused on senior management and high flyers who, through bonuses and share options, reap a disproportionate share of the company's success."

Hampson suggested that undue emphasis was placed on the salaries of those at the top. "Does the smooth talking of the chief executive or the finance director really move the share price forward or is it the fundamentals of the whole workforce's competence and commitment?" he asked.

These were searching questions for the audience. Hampson had no doubt about the answer. "If it's worth a company's while to produce a generous package to make a chief executive feel valued and motivated, it must be worth the company's while to do the same at other levels of the business," he said.

Those who are not convinced by Hampson's argument might take a look at the new UK employee ownership index published this week by Capital Strategies, a corporate finance company which specialises in employee share ownership plans (Esops). It measures the relative share price performance of UK quoted companies which have more than 10 per cent of their issued share capital held by or for employees other than directors.

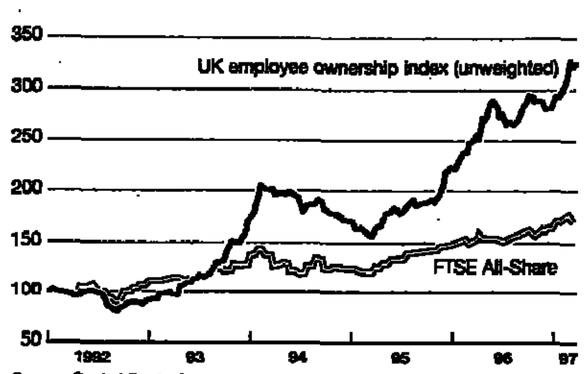
Shares of the 30 companies in the index have outperformed the FTSE All-Share index by 89 per cent since its inception in January 1992.

Various caveats are attached to the index. There is a strong weighting towards transport and support services, two sectors which have tended to outperform the market.

But the same cannot be said of 350 companies listed in a similar index run by American Capital Strategies, an affiliate of the UK company, which monitors a much broader range of quoted companies. It found an investment in a basket of securities in public companies with more than 10 per cent broad employee ownership between 1992 and 1995 would have seen a return of just over 80 per cent compared with just under 49 per cent across the Dow Jones Index.

The Esops movement in the US grew rapidly after a statutory framework was laid down in 1974, supported by various tax benefits. According to the National Centre for Employee Ownership, the US now has almost 10,000 plans covering some 11m employees and controlling about $150bn (£92.5bn) of corporate stock. Another $100bn is held by other forms of employee ownership. The centre says that employees now control about 6 per cent of US corporate equity.

Companies with Esops outperform



Source: Capital Strategies

Some 1,500 US companies have a majority ownership of employees. Among the largest of these are Publix Supermarkets, United Airlines, Science Applications and Avis, the car rental company.

Jeffrey Pfeffer, professor of organisational behaviour at Stanford business school in the US, says in his 1994 book, *Competitive Advantage Through People*, that employee ownership has two important advantages. There is less conflict between capital and labour, and it encourages employees to take a long-term view of the business and its investment policies.

The US has witnessed far greater involvement of trade unions in employee share transactions, not something which has been hitherto encouraged in the UK. But this may be about to change. Earlier this year, the Trades Union Congress significantly shifted its posture towards encouraging employee shareholdings and at least one union has had discussions about employees taking shares in a UK business.

One problem for the TUC, as yet unresolved, is its ideological opposition to privatisation. Nigel Mason, managing director of Capital Strategies, says that had it not been for trade union reticence, employees could have had a far greater share of the British Rail sell-off.

Many of the companies with large employee shareholdings offer employees a role in decision-making. Companies such as FI Group, the UK outsourcing and information and technology services company, have demonstrated that employee involvement fosters greater understanding and mutual respect between employees and management.

"We find that the motivation of our staff is very high," says David Best, finance director. Between 75 and 100 of the company's 900 employees, he says, have personal shareholdings in the business each worth more than £50,000.

Not all businesses with large employee shareholdings have been able to maintain employee involvement to the degree that they may have once envisaged. National Freight Corporation, which bought itself out from the state sector using employee shareholdings, has seen its employee holdings diluted by rights issues in the past few years. Employees now own less than 10 per cent of the company.

But employee ownership is coming of age in the US. It only seems a matter of time before the movement begins to take a greater hold in the UK.

Internet CVs

The University of Edinburgh Management School is claiming to have stolen a march on many of its fellow business schools by putting the CVs of its MBA students on the Internet.

Richard Kerley, director of the MBA course, believes the Internet has several advantages over the printed career book used by most business schools. It can be easily updated, for example, and can be taken out of circulation if the student gets a firm job offer. Contact is made with the students through a Post Office box number to prevent any possible harassment or abuse of the system.

While there are other websites featuring students, Kerley believes the Edinburgh site is one of the neatest and most accessible. It may prove a model for others to follow.

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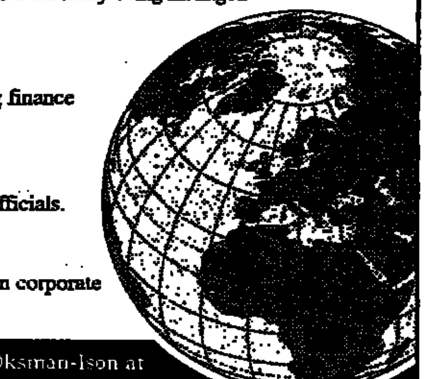

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Our client is the investment management group of a leading international bank with approximately $100 billion funds under management. They enjoy a formidable global reputation and have established a strong record of success with a diverse range of both UK and international clients. Due to growing portfolio and market demands the European equity team now seek to recruit a highly talented professional marketeer.

The role encompasses marketing developed and emerging European pooled and segregated products globally, but primarily within Europe, and will report directly to the Heads of the European Fund Management team.

Key responsibilities will include:

- Generation of new sales and marketing concepts with the aim of winning new funds.
- Developing and enhancing key relationships with intermediaries, new business prospects and investment consultants.
- Liaising internally on a global basis in order to establish an effective distribution of European equity products.

Candidates will be of graduate calibre, with significant experience of marketing fund management services. They should be numerate and display a good level of understanding of equity fund management. Experience of other business cultures and fluency in a second European language would be desirable. Due to the nature of this product overseas travel is an essential component of the role. This is essentially an opportunity for a well-presented, experienced sales professional with excellent communication skills wishing to develop their career within a leading fund management institution. As the role is a demanding one, the appointed individual will demonstrate excellent levels of self-motivation, enthusiasm and tenacity.

An attractive salary package will be offered to the successful candidate commensurate with the level of experience.

If you believe that you have the ability to succeed within a competitive and dynamic environment, please call Elizabeth Arthur on 0171 491 4650 for an informal confidential discussion or alternatively write to her, enclosing an updated curriculum vitae (including full salary details), at SC Stephenson Cobbold, 21 Arlington Street, London SW1A 1RN.

SC
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CANTOR FITZGERALD, premier courtier mondial des crédits souverains du G7, offre d'excellentes possibilités de carrière pour des courtiers motivés ayant une expérience des marchés monétaires, du marché obligataire, et des produits hors bilan.

Dans le cadre de sa stratégie de développement sur les principales devises Européennes Cantor Fitzgerald renforce ses activités sur les marchés Français à partir de ses bureaux de Paris.

Les candidats, de préférence multilingues, auront une expérience d'au moins deux ans sur le marché français.

D'attrayantes conditions financières seront offertes.

Faxer votre curriculum vitae à Lisa Watkins 00 44 171 894 7608, ou poster à:

Cantor Fitzgerald International
One America Square, London EC3N 2LT
Attn: Lisa Watkins, Head of Human Resources

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DePfa-Bank Europe plc

DePfa-Bank Europe plc is a wholly-owned subsidiary of Deutsche Pfandbrief-und Hypothekenbank AG, Germany's largest private mortgage bank. Based in the International Financial Services Centre, the Dublin operation is a fully licensed Irish bank and currently has assets in excess of DM14 billion. DePfa-Bank Europe is a key player in the pan-European sovereign public sector lending market. Its business has grown substantially in Dublin in recent years and this growth is expected to continue, necessitating two appointments.

BUSINESS DEVELOPMENT MANAGER

The role

- develop close relationships with clients and intermediaries in a number of European countries
- represent and market DePfa at international conferences and meetings
- negotiate, *price and structure* debt instruments
- assist in the preparation of credit applications and the negotiation of loan documentation.

The person

- *a minimum of five years' relevant experience*
- exceptional interpersonal skills and self-confidence with the ability to initiate and manage ongoing client relationships
- highly motivated and committed to a team approach
- some knowledge of a second European language would be an advantage.

This is an ideal opportunity for a banking professional to join a prestigious European banking group in a *senior client relationship* role. The remuneration package will fully reflect the importance of this role.

CREDIT ANALYST

The role

- *evaluation of potential counterparties and* continuous monitoring of counterparty and market risks
- preparation and presentation of credit applications to Credit Committee
- development of research resources
- support and development of portfolio management policies and procedures.

The person

- *a minimum of three years' relevant experience of* credit analysis in a significant lending institution involving detailed financial and economic assessment
- strong computer skills and knowledge of financial modelling
- an excellent communicator
- highly motivated; committed to a team approach.

The position offers considerable scope for an experienced analyst with financial appraisal expertise as well as strong research skills in a very important function within the Bank.

Applicants may contact, in confidence, Tom Yeaton at ++3531 668 4346 or e-mail tom.yeaton @ pa-consulting.com or forward career details to him at PA Consulting Group, 10/12 Lansdowne Road, Ballsbridge, Dublin 4, Ireland or via fax at ++3531 668 1771.

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VENTURE CAPITAL

Gresham Trust is one of the UK's longest established providers of investment capital for management buy-out and expansion capital transactions. With over 100 investments and funds under management totalling in excess of £200m, we are now seeking to recruit an executive to join our portfolio management unit.

Reporting to the Director of the unit, the successful candidate's key responsibility will be to liaise with investee companies and act as Gresham Trust's non-executive director where appropriate. The portfolio embraces a wide variety of companies and the unit's remit includes working closely with investee companies to add value and achieve successful realisations.

Applicants should ideally be in their late 20s/mid 30s.
Possible backgrounds include:

- venture capital
- corporate finance (from investment banking, commerce or accountancy)
- acquisition finance

Overall, the successful candidate must be able to demonstrate an ability to influence and work alongside the top management of investee companies. Strong interpersonal skills and commercial awareness will therefore be essential attributes.

An attractive remuneration package, including bonus and full range of benefits, will be available for the right candidate.

To apply, or for a preliminary discussion, please write or telephone Anthony Jones or Edward Amies, Career Plan Ltd., 33 John's Mews, London WC1N 2NS. Tel: 0171 242 5775. Fax: 0171 831 7623. Any applications submitted directly to Gresham Trust will be forwarded to Career Plan.

GRESHAM TRUST

EQUITY CAPITAL FOR MANAGEMENT

Financial Analyst – Technology

Leading US Investment Firm

Excellent Salary Package **West End**

Superb career opportunity for Financial Analyst specialising in technology to join the Investment Banking team of this *expanding organisation.*

THE COMPANY

- *Highly regarded US firm with well-established presence in* the UK and substantial capital resources.
- Global activities, acknowledged product and market expertise, *particularly in technology.*
- Firmly committed to growth of European Investment banking business. Reputation for creative and innovative approach.

THE POSITION

- New role, reporting to the Senior Vice President, Investment Banking.
- Key position on newly created Investment Banking team, specialising in the technology sector.
- *Involvement in all aspects of transactions, in particular* financial modelling and analysis, presentation materials and client exposure.

QUALIFICATIONS

- Financial Analyst with a minimum of 1-3 years' experience in leading investment bank, consultancy or industry.
- Strong analytical background with focus upon technology, probably gained though related qualification.
- Excellent interpersonal and communication skills. High level of initiative, creative and mature.
- Team player, proactive and entrepreneurial. European language skills preferred.

Please send full cv, stating salary, ref FS70408, to NBS, 10 Arthur Street, London EC4R 9AY
Fax 0171 623 1525 Tel 0171 623 1520

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Compliance Officer

Corporate Advisory

City **Excellent Package**

Our client is one of Europe's leading investment banks with an enviable record of business innovation and growth and a clear mission to become a premier global integrated investment bank. Its Corporate Advisory business delivers high quality advice to many of the world's largest corporations, governments and government agencies, as well as fast growing smaller companies. It benefits from an unrivalled combination of global reach, a world class advisory track record, strong corporate relationships and formidable financing power.

As a result of internal reorganisation, our client is now seeking a talented and proactive individual to act as Compliance Officer to its European Corporate Advisory business. Reporting to the Chairman of this business and the Managing Director Compliance, the successful candidate will be responsible for maintaining strong relationships with the regulators and with legal advisers to the business and providing advice and support to business managers, particularly with regard to transactions. In addition, the position carries responsibility for ensuring the delivery of high quality compliance and technical training and the development of technical standards.

Candidates will probably possess a legal qualification and have had, as a legal adviser or practitioner, significant experience in the M&A/corporate advisory field. Strong communication and relationship building skills, a confident and assertive manner and a 'hands-on' approach are essential.

This is an excellent opportunity either for a compliance professional wishing to further his/her career in a firm which is a leader in mergers and acquisitions, or for a lawyer or similarly qualified individual wishing to maximise his/her experience with a move into industry.

Interested applicants should write to Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 346768. Alternatively, telephone her on 0171 269 2308 for an initial discussion.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

ANALYSTS – INVESTMENT BANKING

London Excellent Package

Due to the unparalleled growth and expansion of its global business, Merrill Lynch is looking for additional analysts to join its Investment Banking team in Europe.

As part of a team you will be required to work on a variety of transactions, including initial public offerings, restructurings, privatisations, mergers and acquisitions and other corporate strategies.

Working with colleagues from other speciality groups as well as senior bankers from your own, you will be expected to provide quantitative, technical and logistical support in preparing presentations and executing transactions.

Your role will encompass financial and investment analysis, so an ability to undertake complex *financial modelling is essential.*

You will have at least 18 months relevant experience within a leading financial institution or management consultancy firm. In addition, you must have a 1st or upper 2nd degree from a leading university. European languages would be advantageous, although not essential.

To reply, please submit a full CV plus covering letter to:

Mark Ellis, HR Officer, Merrill Lynch Europe Plc, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY. Applications must be received no later than 13th May 1997.

Merrill Lynch
A tradition of trust.

Compliance Officer, Raymond James & Associates

Raymond James & Associates is seeking a Compliance Officer to be based at the firm's London branch. The successful candidate will be part of the firm's continuing effort to develop international financial products and services for *global distribution* and will be responsible for individual country jurisdictions (licensing, business practices, etc.) within the European community as well as in areas such as Eastern Europe, the Middle East and Africa.

The Compliance Officer will be the point-of-contact to the SFA and other SROs (such as *ISMA*, NASD, etc.) and will assist in coordinating the implementation of the Investment Services Directive (ISD) and the *Capital Adequacy Directive (CAD) for the* European businesses of Raymond James. Furthermore, the candidate will be responsible for ensuring all branch and individual licenses are up-to-date and relevant, creating client documentation as required in each jurisdiction, preparing initial analyses for the international credit committee and coordinating with all international outside counsel.

The successful candidate will have relevant compliance experience and knowledge of the financial services industry and regulations in Europe and the *United States*. Legal experience or qualification is preferred. Excellent communication skills and the ability to function as a member of a team are required.

Raymond James & Associates is a subsidiary of Raymond James Financial (NYSE-RJF) located in St. Petersburg, Florida, with international offices in Brussels, Düsseldorf, Geneva, London, Luxembourg, Nyon and Paris, as well as Mumbai, India and Johannesburg, South Africa.

We offer excellent salary and benefits. Interested applicants should forward a curriculum vitae in confidence to:

RAYMOND JAMES & ASSOCIATES, INC.
Member New York Stock Exchange/SIPC

Terry Bedford, Senior Vice President
880 Carillon Pkwy, St. Petersburg, Florida, 33716 USA
FAX 01 813-573-8365

Raymond James & Associates, Inc. Regulated by SFA

ACCOUNTANTS and IT consultants, who have international experience in conversion to IAS in the banking context, sought by top quality international consulting firm. Excellent *remunerations.* Send CV *to:* **PO Box 16574, Washington, DC 20041 USA.**

APPOINTMENTS WANTED

Direct Marketing
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UK EQUITY & FIXED INTEREST INDICES

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Owned jointly by the Financial Times and London Stock Exchange, FTSE International is a small, fast growing company specialising in the calculation of indices. FTSE is looking to recruit a manager to head up the team which calculates its UK equity and fixed interest indices. This includes the FTSE 100 and FTSE All-Share indices and related statistics.

You must have extensive knowledge of the UK equity and fixed interest markets together with experience of data management. Having good communication skills, you will need to lead the team in a challenging and changing environment. You should possess a degree or equivalent financial qualification, and have effective PC literate and database administration skills.

Interested candidates should write with full CV, quoting current compensation to:

Paul Grimes
FTSE International
St Alphage House
Podium Floor
2 Fore Street
London EC2Y 5DA

FTSE INTERNATIONAL

EDITOR, EUROPE & THE MIDDLE EAST

BASED CENTRAL LONDON

Part of the Economist Group, and a world leader in its field, the Economist Intelligence Unit provides information and analysis to international businesses.

We are seeking an editor for our publications Investing, Licensing & Trading Conditions Abroad and Financing Foreign Operations, covering Europe and the Middle East.

You will be responsible for developing and managing a network of correspondents and delivering edited reports to high standards within tight deadlines and an agreed budget. Ideal candidates will have an in-depth knowledge of the business/financial environments in the region, grounding in basic macroeconomic principles, strong editorial skills and the ability to organise their own work and that of others.

Please write, stating current salary and enclosing a full cv, to *Richard Claughton, Group HR Executive*, by Wednesday 14 May 1997, at the address below.

EIU
The Economist Intelligence Unit

THE ECONOMIST INTELLIGENCE UNIT
15 REGENT STREET
LONDON SW1Y 4LR

Equity Analyst
Support Services

The combination of the skills and resources of Dresdner Bank and Kleinwort Benson has created a leading force in international investment banking. As Dresdner Kleinwort Benson we are set to be among the very top institutions dominating the global investment banking sector.

Our Research Department provides a coordinated, structured research product viewed as pre-eminent amongst UK and European Fund Managers.

The position of Equity Analyst, covering companies in the Support Services sector, will require you to:

- Conduct in-depth industry financial analysis.
- Communicate your research and advice on the sector and individual companies to our sales professional and clients.
- Be responsible for the development and maintenance of client relationships.

You will be a graduate with 2-3 years experience in equity analysis, fund management, corporate finance or within the support services industry (e.g. technology outsourcing). You will be keen to take on responsibility quickly and to contribute fully to a cohesive research function. This is an excellent opportunity for a young professional to make a real impact and career prospects will reflect this.

Interested candidates should write to our retained consultant, **Annabella Humphries at *BBM Selection, 76 Watling Street, London, EC4M 9BJ*. Tel: 0171 248-3653, Fax: 0171-248-2814.** Applications should be received by 14 May 1997.

All applications will be dealt with in the strictest confidence.

Dresdner Kleinwort Benson

Member of the Dresdner Bank Group

Leading U.S. private security organization wishes to expand in England and Western Europe creating opportunities for high-caliber professionals with security or investigative experience.

Please respond in confidence to:
Box #A5411
Financial Times
Number One Southwark Bridge
London, England SE1 9HL

FT FINANCIAL TIMES

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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

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EQUITY CAPITAL MARKETS

Manager – Russian and CIS ***c£28,000 + Bens***

Our Client, one of the world's leading Investment Banking Institutions, invites applications from fluent Russian speakers for the above position.

The Role:

- will include the comprehensive analysis of business opportunities in Emerging Europe, specifically Russia and the CIS;
- will be initially based in London, and involve working with Marketing Officers on the origination and execution of equity mandates throughout the region;
- includes the preparation of marketing documents and client proposals in English and Russian to tight deadlines.

The Person:

- will have an academic background in International Economics;
- will possess a minimum of two years capital markets experience, acquired in a Law firm or Investment Bank, which will include research, structuring, and the issuing of securities throughout the region, specifically including Russia;
- will have the ability to communicate fluently in Russian, English and ideally one other European language;
- will have considerable knowledge of the legal and regulatory requirements of the Russian Federation in relation to the issuance of securities, and first hand experience of living and working in Russia or in the CIS.

To apply, please post or fax your full curriculum vitae, including details of current remuneration, to either Sean Carr or Richard Lyons. Applications will only be forwarded to this client. Please indicate clearly any organisation to which your details should not be sent.

CARR-LYONS

Search & Selection Limited

Warnford Court, 29 Throgmorton St., London EC2N 2AT Fax: 0171 628 2400

ACCOUNTANCY APPOINTMENTS

CHIEF FINANCIAL OFFICER

FAST GROWTH BUSINESS TO BUSINESS SECTOR

HONG KONG **c.£75,000 + FULL EX PATRIOT PACKAGE + SIGNIFICANT STOCK OPTIONS + BONUS SCHEME**

- Established in 1995, our client has exhibited fantastic growth in the business to business services sector. Turnover has grown from start up to US$200 million, the company currently employs 450 staff and services 500,000 customers.
- The principal market area for our client is South East Asia. Already well established in Australia, the company has firm strategic plans to penetrate other major economic zones in the Pacific Rim area.
- A CFO is now required to control and drive the company's financial position during the next major growth phase. Our client plans to obtain a full NASDAQ listing towards the end of this year.
- The successful candidate will be a chartered accountant supported by a good first degree and must be able to demonstrate a significant record in the financial management of fast growth international businesses. Previous listing experience would be an asset.
- Open-minded and flexible, you will possess the ability to take a strategic view of an international business, as well as having the tactical implementation skills required in this fast growth area.
- Most important are personal qualities which must include drive, maturity and self confidence, coupled with outstanding communication skills and the flexibility required for extensive travel throughout South East Asia.

**Please apply in writing quoting reference 1405 with full career and salary details to:
Kevin Bishop
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead**

Whitehead SELECTION

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FINANCE DIRECTOR

BREAKTHROUGH TECHNOLOGY - PREPARING TO FLOAT

LANCASHIRE **c.£70,000 + BENEFITS/EQUITY POTENTIAL**

- Rare opportunity for a 'hands-on' finance professional to play a lead role in taking a high potential engineering business to market. Key subsidiary of a major, successful PLC. The venture has had success well beyond expectations and has generated considerable interest from major global manufacturers.
- It is intended to float by early 1998 in order to raise capital to enable the company to gear up for contract development and production. Overall brief is to provide authoritative leadership and direction in all aspects of financial management to underpin this step change and contribute towards building shareholder value.
- Particular emphasis on establishing and upgrading financial systems, contracts and disciplines. With the Chairman and Managing Director, play a pivotal role in bringing the company to market. Contribute on a broad commercial front to the overall development of the business.
- Role calls for a commercial, qualified accountant, probably aged 30-40 with a proven track record gained within manufacturing, industrial or a similar environment with substantial experience of long cycle contracts. *Must possess a record of enhancing* business efficiency and performance.
- First-hand exposure of working with City institutions either raising new funds or flotation is preferred. Experience of designing data capture systems, interfacing with engineers and negotiating with suppliers and customers is essential. Strong IT skills are a pre-requisite.
- Pragmatic and results-driven with the stature and credibility to handle City relationships. Potential to grow with the job and company as the position develops.

**Please apply in writing quoting reference 1401 with full career and salary details to:
Phil Bainbridge
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead**

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COMMERCIAL ACCOUNTANT
BLUE CHIP CORPORATION

CENTRAL LONDON — COMPETITIVE SALARY + BENEFITS

This £1 billion turnover International Services Group can boast an impressive track record of achievement over the last three decades. Long admired for the calibre of its people, the average age of its 4000 employees is around 34 thus ensuring a vibrant and energetic atmosphere. Operating in North America, Australia, the UK and South East Asia recent initiatives have been implemented which will take the organisation successfully into the next millennium.

This key appointment has materialised at an exciting and critical time in the Group's development. Working in the European Head Office, the role is an outstanding opportunity for an ambitious accountant. The specific duties will be broad-based and varied involving exposure to a variety of the Company's operations.

The successful individual will assume responsibility for the following:

- Preparation of Annual Financial Statements (both under UK and International GAAP)
- Identifying and Implementing improvements to the to the Financial Information Systems
- Tax and Treasury management
- *Liaison with the Company's external advisors*
- Ad hoc projects.

Candidates will be qualified chartered accountants either still in public practice or with a maximum of two year's commercial experience.

Strong communication skills, coupled with the desire to work within a lean commercial organisation with little of the bureaucracy that cripples its competitors, are essential.

As one would expect of an organisation of this stature, career prospects are unparalleled, *including the opportunity to transfer internationally.*

If you seek to join this commercial, high performance environment, then please contact **Janet Arnold ACA at Robert Walters Associates for an informal discussion on 0171 379 3333. Alternatively send a curriculum vitae and a covering letter confirming why you are suitable for this position to her at 10 Bedford Street, London, WC2E 9HE. Fax 0171 915 8714.**

E-mail: janet.arnold@robertwalters.com

ROBERT WALTERS ASSOCIATES

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LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

FINANCE MANAGER

Bristol [illegible] **First Class Benefits**

BEVAN ASHFORD SOLICITORS

Bevan Ashford is one of the UK's leading regional law firms and the largest in the South West. With 50 partners and 420 staff in seven offices, including London, the Practice has a client base ranging from multinational organisations to small owner managed businesses across a broad [illegible] industry, public and private sector. The common theme is that they all demand first class service [illegible]

The aim is to create a broad-based legal practice [illegible] which is second to none and success to date [illegible] suggests that this is well on the way [illegible] planning now calls for the recruitment of a qualified Accountant to assume the role of Finance manager providing [illegible] management support to the Chief Executive [illegible]

This is a key appointment and it represents a very progressive career move. Ideally you will have a minimum of four years post qualification experience in a professional, client driven or service orientated environment. Enjoying a challenge and the ability to display [illegible]

[illegible] To apply please write with a full CV quoting reference number 7292/FT to [illegible] Wheale Thomas Hodgins [illegible] Executive Resourcing, [illegible] Berkeley Square, Clifton, Bristol, BS8 1HG. Fax 0117 927 2318.

WHEALE · THOMAS · HODGINS · PLC

UK Finance Director

LEADING ENTERTAINMENT GROUP

North West of London (Close to M25) c.£75,000 + Bonus + Benefits + Quality Car

Our client is the UK Retail subsidiary of one of the World's leading media, entertainment and retailing organisations. They have in excess of 700 outlets in the UK, offering an innovative and unique format. Their brand is a household name and they are poised to power ahead through a program of change designed to take advantage of exciting new technological developments.

This is an important and exciting period for the company and the new Financial Director will play a major role, driving financial performance.

Reporting to the UK Managing Director and as a member of the Senior Management team, you will be fully involved in key aspects of the strategic and operational development of the business.

You will be responsible for the management and direction of the Finance Team, providing commercial finance support to all functions of the business ensuring that the team are customer focused at all times. This will comprise the provision of a range of financial and business analysis including the evaluation of promotional and marketing projects.

The individual we are seeking will be a qualified accountant preferably from a retail or FMCG background. You may already have experience as a financial director or be seeking your first appointment at this level. You will be pragmatic and resilient to change, combining excellent interpersonal and financial skills.

The company offers outstanding prospects throughout the organisation in the UK and internationally. There is an excellent package including a performance related bonus scheme and additional benefits one can expect from a position at this level.

Please contact Paul Goodman at GMS, *Goodman Masson Shaw, Crusader House,* 145 - 157 St. John Street, London EC1V 4QJ Telephone 0171 336 7711 Fax 0171 336 7722 E-mail recruit@gmsps.co.uk

Please quote reference: PG/MER

GOODMAN MASSON SHAW

Financial Search And Selection

هكذا من الأصل

DIRECTOR OF FINANCE AND OPERATIONS

Well Established Global Brand

West London — c £60,000 + Car + Benefits

Our client is a US listed manufacturer and distributor of premium label consumer goods, positioned as a performance brand with a global appeal and reputation synonymous with quality, durability and innovation. Recent restructuring and subsequent strengthening of its European focus has created this exceptional UK role for a commercially mature and operationally skilled Finance Director who will be a crucial member of the senior management team. Partnering the local Managing Director, your brief will be to proactively manage all financial, commercial and operational challenges and opportunities.

THE POSITION

- Work with the UK Managing Director to devise strategic plans and work on business development opportunities that ensure the delivery of financial and operating goals.
- Lead and develop the finance and operations teams and ensure the continued integrity of all financial and operational reporting.
- Co-ordinate finance and operations involvement with the annual budget and forecast updates.
- Undertake responsibility for all operational areas including customer services, supply demand and information systems.

QUALIFICATIONS

- Qualified Accountant, ideally aged between 35-45.
- Proven man manager, with a track record in team building and development.
- Experience of complex inventory management and distribution, preferably in an international consumer goods environment.
- Customer facing, externally focused and profit driven with a strong eye for detail to ensure numeric consistency.

Interested candidates should write, enclosing full career and current salary details, to the advising consultants Richard Wilson or Fiona Makowski, at Questor International Ltd, 3 Burlington Gardens, London W1X 1LE. Please quote reference 2227. Tel: 0171 292 8300. Fax: 0171 287 5457. E-mail: richard@questorint.com

QI

QUESTOR INTERNATIONAL

Group Financial Controller

Essex — c £50,000 + Car + Benefits

Our client is one of the UK's leading business-to-business publications and information services providers. Built on solid foundations, this long established business is very profitable and highly acquisitive, with full stock exchange listing planned in the near future. The growth in the business and changing regulatory environment has led to the separation of financial control from management reporting This change in structure leads to a newly created requirement for a commercially driven Group Financial Controller.

Reporting to the Financial Director and working closely with the Head of Management Information & Planning, the key tasks will include:

- Management of the financial reporting in accordance with statutory requirements.
- The management, development and motivation of the accounting team.
- Responsibility for effective financial control over the business.
- Management of change created by the need to integrate acquisitions.
- Tax and treasury management including working capital and cash flow forecasting.

The successful candidate will be a graduate calibre qualified accountant with at least four years post qualification experience, preferably within a publishing environment. Ideal applicant will have previous financial controllership experience, proven management skills and strong communication, presentation and interpersonal skills, with the flexibility to work within a fast moving environment.

Interested candidates should forward a comprehensive CV, including details of current salary and day time telephone number to David Trapnell, Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA. Please quote reference 347905.

MP

Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Dynamic Accountant

City — £ Excellent Package

Our client is one of the Top 15 City fund managers. They have £23 billion under management in 25 countries covering all asset classes.

The culture of this organisation is dynamic, entrepreneurial and meritocratic which is truly reflected in the working style.

Our client is looking for a 3-4 years post qualified accountant with the following attributes:

- Impressive work experience from either the profession, a blue-chip organisation or a financial institution.
- Experience of managing people.
- Strong numeracy skills.
- A confident, credible personality in order to interact with both clients and senior management.
- A strong commitment to developing a career within a constantly evolving organisation.

If you consider that you meet the above criteria, please send or fax your full curriculum vitae including remuneration details to Joanna Adolph at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 0171 405 9649 or telephone 0171 269 2341.

MP

Michael Page City

International Recruitment Consultants

London Paris Frankfurt Hong Kong Singapore Sydney

Electrolux

ELECTROLUX FOODSERVICE EQUIPMENT (UK)

Finance Director

Birmingham — £40,000 + Car + Substantial Bonus + Bens

Electrolux Foodservice Equipment is a highly successful division of this £12 billion turnover household name Group, providing commercial catering equipment and related services. Electrolux FSE (UK) Birmingham operates across distinct product lines with sales ranging from individual units through to entire kitchens supported by after-sales support. The organisation is now well positioned to increase its market share for significant growth during the coming months.

Reporting to the Managing Director, you will have full responsibility for the finance function and play a leading role in developing an innovative approach to improve cashflow. In addition, you will manage and control commercial matters incorporating the purchasing, warehousing, logistics, sales support and IT functions.

Prospective candidates will be qualified accountants with a proven track record in commercial operations. You will have experience of operating at Director level within a large group environment and possess a strong systems background.

You must be a hands-on individual with first class interpersonal and communicative skills, strong leadership credentials and a proactive approach to developing team members.

Interested candidates should apply in writing, quoting reference 347369, enclosing a full CV (including a daytime telephone number and details of present remuneration) to Jim Davie ACA, at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

MP

Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Shell International Ltd

Outstanding Tax Opportunities

Shell International Ltd is a member of the Royal Dutch/Shell Group of companies, Europe's largest multi-national group. Shell International provides professional services to group companies throughout the world, covering finance, legal, intellectual property, human resource, planning and business consultancy. The group tax department is part of Shell International's Finance Services organisation and comprises 41 people, of which 26 are based in London. Due to expansion, two exceptional opportunities with varying responsibilities have arisen within this department in London.

International Tax Advisor

You will be providing tax advice to the business teams operating in two main areas:

- Global trading systems – dealing with transfer pricing and transnational jurisdictional issues.
- International joint ventures – acquisitions, reorganisations and investment projects: designing and implementing appropriate transaction and corporate structures, taking into account the various tax positions in the affected countries in order to optimise the group position.

It is expected that the successful candidate will be a qualified accountant or equivalent with 3-6 years post qualification experience and have some knowledge and practical experience of international taxation.

Senior Corporate Tax Advisor

This is a new position requiring a range of tax expertise. You will be proactive in providing a high level of corporation tax advisory service to a number of significant group companies. You will also deal with corporate tax compliance, including some work on transfer pricing and assist in coordinating the settlement of the group's UK tax position. The job also includes the provision of VAT advice and compliance support and to act as an IT focal point for taxation.

Suitable candidates will be qualified accountants or equivalent with at least three years' post qualification experience in corporate tax.

Excellent career prospects exist at Shell worldwide with career development only limited by the individuals' potential. Shell offers an attractive remuneration package including a competitive base salary and a range of benefits including a company car, bonus and final salary pension scheme.

If you are interested in either of these roles and would like to discuss them in more detail, please telephone Donald McFarlane CA, on 0171 269 2246 or write to him enclosing a CV to Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Taxation

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ADVANTAGE GROUP

To assist Deputy Chief Executive / Finance Director of healthcare facilitators and investors

This challenging role will require a sound accountancy background with the business acumen to handle major projects through to completion.

ACA or FICA qualified with a minimum of 3 years post qualification experience. As well as having a good knowledge of technical issues and the taxation implications thereof, you will have experience of acquisitions and due diligence work, dealing with related legal agreements / documents and liaising with other professionals to get the deal done.

If you meet the above requirements and wish to play an important role in helping to shape the future of a progressive health care company, please write with full CV to:

Graham Baker, Deputy Chief Executive, Advatage Group,
2a Station Road, Alcester, Warwickshire, B49 5ET.
01789 766 860

INSTITUTIONAL SALES

A candidate to sell London based Financial Institutions, Investment Banks and Stockbrokers, from the London office of an International Investment Bank. Your previous experience will be from equity sales.

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Please send or fax your CV marked "Sales" to:

Mr. Robert Riordan,
ISG Capital Markets,
575 Lexington Avenue, 7th Floor,
New York NY 10022

Or fax to the London office
(171) 256-6930

KROLL ASSOCIATES

CENTRAL LONDON — FORENSIC ACCOUNTANT, CORPORATE INVESTIGATIONS — £32-38K + BENS

Since 1972 Kroll Associates has been the world's leader in providing information to help clients evaluate risks, realise opportunities and resolve problems. Kroll's staff are specialists in defending investigative assignments, gathering information and providing advice.

Every year Kroll's 300 staff handle more than 2,500 assignments from 22 offices around the world. Kroll's business ethics and procedures ensure the highest levels of professionalism and propriety. It is for these reasons that they have been able to consistently maintain their position as market leaders.

Kroll's Corporate Investigations operations focus upon fraud investigation and prevention, the provision of litigation support, forensic accounting and general investigation. Teams are drawn from a wide range of disciplines including corporate, civil and criminal law, banking and finance, securities regulation, forensic accounting and law enforcement.

Responsibilities will be wide ranging and diverse with little of the routine normally associated with an accounting role. This is a unique and exciting opportunity and will appeal to individuals who wish to be given real autonomy managing projects and gain senior level contact with clients.

Specific duties will include:

- Planning and conducting financial investigations, asset tracing and intelligence gathering
- Forensic accounting
- Management and motivation of staff
- Development of new marketing initiatives

Candidates will ideally be Chartered Accountants with previous experience of forensic accounting, fraud investigations or expert witness work.

Alternatively, candidates may presently be working within a major City regulator or within an audit, consulting or insolvency environment.

Key skills required are an enquiring and analytical mind, highly developed communication skills, both verbal and written, and the ability to inspire confidence.

Based in Central London, travel throughout Europe is highly likely, therefore European languages, particularly German, would be advantantageous although not essential.

Interested candidates should send their CV including salary details to Nicola Whiteman at Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE. Tel: 0171 379 3333. Fax 0171 915 8714.

E-mail: nicola.whiteman@robertwalters.com

ROBERT WALTERS ASSOCIATES

FS30097

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To you.

Audit, Tax and Corporate Finance Professionals

The commercial event of the millennium is about to unfold - and Price Waterhouse Hong Kong will be at the heart of it. With Hong Kong's sovereignty returning to China, our client list of global conglomerates and red-chip companies *will look to us to maximise* the potential of the most rapidly-developing economic region in the world. And as Hong Kong's leading practice, we intend to do exactly that, by further strengthening our team which will make it all happen. Specifically, we are looking for newly-qualified accountants and experienced managers to join us this autumn - initially on a two-year contract - adding value in one of the following areas:

Financial Services
Specialists in both audit and tax who can bring an up-to-the-minute knowledge of the banking, insurance or securities industry, an exceptional blend of technical insight and commercial acumen - and the confidence to hit the ground running.

Auditors and Business Advisers
Client service professionals with technical expertise; business vision and strong communication skills to add value and assist our clients in solving their most complex business issues.

Tax
Professionals of the right calibre to join a 160-strong practice voted 'number one tax firm' by the International Tax Review Survey for three years in succession.

Corporate Finance
Chinese-speaking corporate financiers who can make an immediate contribution.

If you have the ability and experience you can expect excellent rewards - and a very attractive lifestyle in one of the world's most exciting and stimulating environments; whilst our clients can expect the comfort of putting their business in the best possible hands. To find out more and to arrange a meeting with a partner from our Hong Kong firm, please contact John Thompson, Price Waterhouse World Firm Services BV, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Fax: 0171 939 2655.

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Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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Role
- Reporting to Managing Director with full responsibility for finance & legal issues and a strong team player.
- Proactive input to taking the business forward and improving turnover & profit.
- Evaluating new opportunities for acquisition or new business development
- a hands on role for ensuring detailed management information is provided regularly, managing the finances, liaising with Bankers and Finance institutions.

Candidate
- Qualified ACA/CIMA/ACCA Accountant, aged 35-45, with proven track record.
- Must have a strong business acumen, good personality, with excellent communication skills.
- Experience of dealing with Europe, both zof finance and employment law with knowledge of French an advantage.
- Knowledge of Computer systems and PC knowledge of MS Excel & PowerPoint.

Please reply in writing with Curriculum Vitae to Chana Farrant at:
Assets Accountancy
54 Moorbridge Road, Maidenhead, Berkshire SL6 8JQ
Email: mjd@assets-acc.com
Fax: +44 (0) 1628 789007
Tel: +44 (0) 1628 788886

Assets — The Accountancy Recruitment Company

KPMG

Chief Internal Auditor

- **Bermuda**
- **Salary US$80–100,000 Tax Free**

Our client is the largest offshore banking group in the world, with assets of over $8 billion and assets under administration in excess of $40 billion. They are the largest employer in Bermuda and have fifteen overseas offices covering Europe, Asia and the Americas.

Their commitment to personal service and entrepreneurial spirit has resulted in them enjoying four consecutive years of record profits and they have ambitious plans for future growth.

Due to the promotion of the current incumbent to a senior line role they now wish to recruit a Chief Internal Auditor. Reporting directly to the Senior Vice President Risk Management, responsibilities will include:

- Managing and leading an audit team of 20, including 5 managers, 3 based in Bermuda and 2 overseas.
- Originating, planning and implementing a global risk based audit programme covering operational, financial and EDP audit.
- Identifying and undertaking ad hoc projects that add value to the business.

The successful candidate will be an ACA *or equivalent aged over 35 with a minimum* of five years financial services audit experience gained in a Big 6 firm or major bank. Experience of treasury, global custody and investments would be particularly beneficial.

Of equal importance is the presence and personality necessary to be credible at board level and manage the global risk of a major financial *institution. Candidates will be expected to travel* approximately one week per month to work on international assignments.

Interested candidates should apply in writing with full career details including salary and where possible a daytime telephone number quoting reference number DOTB11 to: Gerard Moore, KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE.

Overseas candidates should fax their details on +44 (0) 171-311 5872.

KPMG Selection & Search

Group Finance Director

Group Chief Executive Designate – Engineering

Flexible Midlands Location — Substantial Six Figure Package

Our client is a long established and profitable business, a global market leader in two related sectors of high value added engineering. The company is well positioned for further substantial growth, both organically and, in particular, by acquisition and the establishment of joint ventures.

The Group Finance Director will report to the Group Chief Executive, and ideally will be his *successor, within two to three years. The principal* objective of the role in the short term will be to devise and implement a strategy that fulfils the growth potential of the group, whilst also maintaining tight financial control and dealing with external advisors, including major investors.

Candidates will be in their late 30s to late 40s, probably qualified accountants, with experience of medium sized companies in the engineering sector. International exposure is important, as is a substantial track record of negotiating and implementing acquisitions and devising strategy. A tough, resilient character is required, possessing gravitas, charisma and self-confidence, with the ability to act autonomously, to fight his/her corner and to negotiate effectively. A substantial package is offered, with significant incentives and share schemes. The location of the small head office team is flexible between East Anglia, the Midlands and the North West.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 666J on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION
86 JERMYN STREET, LONDON SW1Y 6JD. TEL: 0171 468 3800
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Finance Director

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Buckinghamshire — to £90,000 + Car + Equity

This is a once in a lifetime opportunity to join an outstanding and innovative manufacturer of high tech products sold to the international telecommunications industry. The business is long established, but has risen energetically to the increasingly exacting requirements of the industry. Demand continues to grow at a high pace with existing growth of 40% expected for many years. Company profits for 1997 will be £4.0m.

The company now needs to recruit a Finance Director to help it achieve its dual goals of continued profitable growth and flotation. The requirement is for an individual of considerable breadth who is likely to come from a much larger business and yet can relate to a smaller one. More than this, the appointee must have strong general management aspirations. Key tasks will include:

- developing and enhancing financial and management information systems to aid commercial decision making;
- contributing fully to strategic and operational management;
- providing financial leadership across the company's activities;
- preparing the company for flotation.

This outstanding opportunity will appeal to individuals who wish to take a partial ownership of a company which they are helping to lead. Candidates must be qualified graduate accountants, with considerable experience of the manufacturing sector and of operating within a fast moving and highly commercial environment. Computer literacy and systems development experience are vital.

This is a company with a positive culture which requires a team player. Leadership and motivational skills will be combined with the stature and presence to make the necessary impact both on the Board and in the City.

Please send a full CV in confidence to GKRS at the address below, quoting current reference number 96735N on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION
PARK HOUSE, 6 KILLINGBECK DRIVE, LEEDS LS14 6UF. TEL: 0113 248 4848
A GKR Group Company

FINANCIAL CONTROLLER

Retail/Wholesale

Malawi

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Part of Lonrho, one of the most famous names in overseas trading, my client has a substantial stake in one of Malawi's largest retailers. It has almost 100 outlets and employs over 1500 people. Malawi is a former British protectorate, English is the official language and it has a large expatriate community. You will be based in Malawi's largest city – Blantyre – with a population of c400,000.

Reporting to the Managing Director, and part of an executive team of five, you will be responsible for:

- All financial management and reporting within the group
- Planning and control of budgeting and forecasting
- Management and improvement of IT systems
- Administration and company secretarial duties

A fully qualified accountant and experienced financial manager, you will either be a young professional looking for your first overseas posting or an experienced expatriate. Good IT skills are essential.

Your rewards package will include an offshore salary, local living allowance, accommodation (family or single), car, health cover, pension and travel expenses.

Interested candidates should write with full CV, quoting current rewards package to Jim Morrison, Hoggett Bowers, Amethyst House, Spring Gardens, Manchester M2 1EA, Tel: 0161 831 3322, Fax: 0161 832 0089, quoting ref: MJM/11109/FT.

Hoggett Bowers

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20 years Blue Chip experience,

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A challenging and exciting opportunity for a professional to take the financial reigns of this exceptionally successful company, which has a brilliant track record, a strong balance sheet and a debt free position. If you are 35-45 graduate calibre, with experience from the big six, plus five years commercial experience at board level and have the ability to manage a dynamic prestigious company through a practical and professional approach, *please fax or post your details to:*

James Caan, Chairman, Alexander Mann Associates Plc, Alexander House, 9-11 Fulwood Place, London WC1V 6HG
Tel: 0171 242 9000 • Fax: 0171 404 3656

RECENTLY QUALIFIED ACA REQUIRED

Surrey based **Leisure Plc** **c£30,000**

This challenging opportunity will appeal to a young and ambitious finance professional.

Our client, a multi million turnover, international leisure group requires a recently qualified ACA to join its finance team.

Key responsibilities will include the monthly production of financial and management information, budgeting both cash and profit and loss, inter group reconciliations, investigations and due diligence work.

The candidate will be an exceptionally able, recently qualified accountant, who is computer literate and who wants to make a significant contribution to this demanding role.

Written applications with full CV
and current salary details to:
Julie Allen
Morgan Connect Limited
82 St John Street
London EC1M 4JN

MORGAN CONNECT LIMITED

IT Appointments

Accounting for the Square Mile... ...and Beyond

Our client has a long established history in global investment banking with an extensive network of operations in Europe, Middle East, Far East, Africa and USA. Key areas of expertise include risk management, derivatives and corporate finance. Such has been the growth in these areas that excellent career prospects are now on offer to talented individuals who are able to fill the positions opposite.

Head of Treasury Audit — £65,000 + Package

An experienced treasury auditor is required to set up a risk-based treasury and capital markets audit function. Ideally you'll be an ACT or qualified accountant (ACA, CIMA, or ACCA). Your 4-5 years audit experience would have exposed you to risk based auditing and its application to on and off exchange traded products, eg: FX options, repos., forwards, swaps and associated interest rate products. *Up to 20% foreign travel.* Ref: FT/DJ/859/05/97

Treasury Product Control Manager — £60,000 + Package

An ACA, ACCA or CIMA accountant is required to head a team within our treasury products division. Responsible for product, financial and regulatory control, you will be putting your excellent interpersonal skills and product knowledge to good effect. Naturally, you'll be conversant with investment banking products, to include: money market and FX, derivatives (vanilla & exotic) and various forms of negotiable paper. You will be expected to review the efficiency of accounting operations and implement computer solutions – liaising with systems developers as necessary. Ref: FT/DJ/879/05/97

Senior Systems Auditor — to £55K Package

The successful candidate, will have proven their ability to lead and inspire others as well as being a genuine self-starter, with sound exposure to good project management practice, the full development life cycle and structured methodologies. You will be expected to plan your own audits and those of others. Work involves all types of information systems reviews, however you will have a particular focus on Treasury and Capital Markets. Ref: FT/DJ/847/05/97

For a detailed discussion regarding these positions please contact **Delly James on 0171 236 4288** quoting the reference number.

1 Groveland Court, Bow Lane, London EC4M 9EH
Tel: 0171 236 4288 Fax: 0171 236 4277
E-mail: info@citielite.co.uk http://www.citielite.co.uk

parallel INTERNATIONAL
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Exceptional Investment Banking Opportunity

IT Projects Manager

City — **Excellent Package**

Our client is the highly successful investment banking arm of a leading international merchant bank which specialises in emerging markets.

Due to increasingly rapid growth, an opportunity has arisen to lead IT development. Working closely with technical and business managers within this challenging environment, you will be responsible for delivering high quality solutions across multifaceted projects worldwide.

Specific responsibilities will include:

- Proactive application of IT through design, implementation and support of creative solutions.
- Provide a rapid and effective response to the growing demands of the business.
- Lead key implementation and enhancement projects.

Prospective candidates will be of graduate calibre, probably aged late 20's early 30's, with the energy, enthusiasm and commitment necessary to succeed within a highly commercial environment. Probably already working in the financial services sector, you will have expertise in the latest technologies including file-servers, LAN, Windows NT, Lotus Notes and telecommunications.

In return, you are offered a unique opportunity to work within a dynamic environment where entrepreneurial flair, industry and creativity are highly rewarded. This is a key appointment where IT is integral to keeping their competitive edge. As a result, salary will not be an obstacle in recruiting.

Interested candidates should write including current salary details to Louisa Perry Michael Page Technology, 39-41 Parker Street, London WC2B 5LH, fax 0171 831 7182. Alternatively via E-mail caroline@michaelpage.com or via the Internet on http://taps.com/Michael_Page quoting reference 340427.

MP
Michael Page Technology
Specialist Recruitment Consultants

Application Support Manager

City — **£Excellent + bonus + benefits**

As a new and exciting force in international investment banking, our client is building a reputation as a successful marketer and trader of a range of financial products. Continued development of the London office is an important part of their global strategy. The IT environment is a successful marriage of systems, based on modern technology (client/server using Sun/Unix/Sybase, Windows NT, AS400, MS Office), and integrated within an applications architecture. The provision of high quality application support to trading and support areas plays a key role in the continued development of the business.

Against this backdrop, a new role has been created with the responsibility to build and manage a small team of application support specialists. It is essential that you thrive on the challenge of leading from the front, delivering an effective support service to externally provided systems and internally developed solutions. You will have already proved your ability to succeed under pressure, including support to a trading environment.

As an application support specialist with previous working knowledge of some of the bank's core businesses (Money Markets/FX, Fixed Income, Equities, Repos), you must be comfortable with technology and have the ability to work with a variety of packages and understand the technical architecture concepts that support them. An established team leader and man-manager, you must have the interpersonal skills and personal authority to build productive alliances with users bank-wide.

If you can demonstrate the motivation to deliver the best possible service, as well as a record of commitment and achievement in your career to date, then this is a genuine opportunity for you to realise your potential with one of the City's most demanding employers.

For further information, please contact Kevin Davey at McGregor Boyall Associates on 0171 247 7444. Alternatively, send your CV, quoting reference MBFT222, to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. Email: kdavey@mcgregor-boyall.co.uk

McGregor ■ Boyall
Business & Technology Selection for Financial Markets

Investment Analyst
IT Sector

A leading firm of stockbrokers is seeking to strengthen its Technology team with someone who has a sound knowledge of at least one area within the IT sector. The IT analyst will research companies, assessing their products/services and quantifying their markets. Other important aspects of the role include helping both to fund and float unquoted companies.

Naturally, first-class verbal and written communications are a prerequisite for this position as is personal presentation and you will have a good understanding of accounting procedures and company funding arrangements. Whilst formal education achievement is not mandatory, it is expected that the successful candidate will have relevant qualifications to degree standard.

The firm is one of the most respected and successful of its kind, offering very good career prospects which are supported by a full range of employee benefits and a modern, professional office environment.

Candidates should send a curriculum vitae, in confidence, to:
Berkeley Executive Limited, Mallard Court, Market Square, Staines, Middlesex TW18 4RH.
Telephone: 01784 461234 Facsimile: 01784 440040 E-Mail: gfrancis@regent.co.uk
Telephone for evenings/weekends: 01372 360178.

BERKELEY EXECUTIVE LIMITED

UCI
A Paramount/UNIVERSAL COMPANY

BUSINESS SYSTEMS ANALYST

Manchester

Package to £35,000

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The Position

- Responsible for the implementation of new finance software in all the territories. This involves gathering business requirements and managing suppliers to configure and implement the systems.
- Responsible for setting up and supporting the financial applications which run at the Corporate Head Office. This may involve some advanced user skills such as report writing and systems configuration.
- Travelling throughout the organisation to advise and assist in systems implementation.

Qualifications

- A qualified Accountant with exposure to a multi-currency environment.
- The individual must be able to demonstrate an understanding of company structure and joint ownership.
- Must have systems analysis, design and delivery experience and will possess a track record in financial systems implementation.
- Any experience of JD Edwards, Commander, MS Office and reporting tools (such as Impromptu, Access, Crystal reports) would be a distinct advantage.

Contact our retained consultant Richard Croft at Harrison Willis, 26 Cross Street, Manchester M2 7AF, quoting reference RCTDB.
Tel: 0161 832 7728 (eves & w/ends 0161 494 9080). Fax 0161 839 1375.
E-mail: hwgroup@hwgroup.co.uk
http://www.hwgroup.co.uk/hwgroup

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANCY
Part of the Harrison Willis Group

INVESTMENT BANKING

C++/NT OR UNIX
£40k-£60k + BONUS + BENS

Premier US Investment Bank requires Senior Developers to build systems for Fixed Income and Emerging Markets. Successful candidates will spearhead a team, charged with the life cycle development of Bonds, FX and options including *market analysis and pricing. At least two years' C++ expertise* coupled with a strong mathematical and/or business background is absolutely essential.

EQUITIES
£40k-£50k + BONUS

Business focused Analysts are required to specify, test and *implement a number of complex derivative systems for the* EQUITIES GROUP. Candidates must have a comprehensive understanding of the Equities business coupled with a thorough grasp of technology and its application. Opportunities exist to move into project management or internal consultancy. Extremely rewarding and intellectually challenging career move.

RISK MANAGEMENT / C OR C++
£40k-£70k + BONUS

High calibre Financial Engineers required for the Capital Markets Desk based on the trading floor. Successful candidates will analyse, design and deliver Risk Management systems utilising C++ on UNIX platforms. Working closely with a small quantitative team, you will require strong numerical skills and an ability to develop a thorough understanding of the business. Outstanding career opportunity.

QUANTITATIVE
£40k-£100k + BONUS

Premier Investment Bank requires high calibre Quantitative Analysts, capable of analytical research, pricing of exotic options, structuring and risk analysis. You must either be a recent PhD graduate or have a strong mathematical *background with a minimum of 12 months' Investment* Banking expertise. Ability to programme in C/C++ is advantageous.

RISK PRICING
£35k-£50k + BONUS

Outstanding opportunity to join this premier US Investment *Bank currently developing Risk and pricing* systems for their fixed income business. These roles will involve life cycle development and extensive communication with traders to ascertain new ways of pricing analytics. You will utilise the latest technology including C/C++ on both NT and UNIX platforms to ensure successful delivery. Business focused, technically proficient and ambitious candidates only.

ANALYTICS/C++
£35k-£55k + BONUS

Premier US Investment Bank seeks Analytics Developers with solid C++ skills. The successful candidates will utilise their technical and Derivatives knowledge to build pricing tools for the Front Office whilst also providing Risk Analysis. A strong numerical background coupled with excellent communication skills are essential. Superior career move.

To discuss these positions further, or to arrange an interview please call Sara Fean or Paul Wilkins on 0171 287 2525 or fax your CV to us on 0171 287 9688. Alternatively please *write to us at:*

ARc

ARC International,
Recruitment & Consultancy Services,
15-16 New Burlington Street, London W1X 1FF.
E-mail arc@itjobs.co.uk
Internet: http://www.itjobs.co.uk

Net.Works

The FT IT Recruitment section is also available all week on www.FT.com

For further information on the FTIT section please call Courtney Anderson on +44 (0) 171 873 4095

FTIT

INTERNATIONAL SYSTEMS AUDITOR

Based Berkshire

To £37,000 + Car + Benefits

The Ocean Group is a leading international provider of integrated logistics, industrial and enviromental services, operating in some 112 countries with over 11,700 employees. *Turnover for 1996 was in excess of £1 billion.* Ocean's vision is to be a dynamic, successful, professionally managed and financially sound provider of services in markets throughout the world.

The expanding International Audit Team plays an integral part in the continuing process of business change and risk management. Reporting directly to the Head of International Audit, this is a challenging new appointment for an expert systems audit professional to carry out audits throughout the Group's international operations. Through close involvement with senior management throughout the Group, the successful applicant will be responsible for:

OCEAN GROUP

Please contact Louis Tomazou (quoting ref: FT0100) at FSS Financial
Charlotte House 14 Windmill Street London W1P 2DY
Tel: 0171 209 1000 Fax: 0171 209 0001 e-mail

FSS FINANCIAL

Man with music in his soul

Andrew Clark talks to oboist, conductor and composer Heinz Holliger

He could have made a career as a concert pianist. He could have contented himself writing Boulezian serialist music. Neither would have done justice to one of the most prodigiously gifted musicians of our time. As oboist, conductor and composer, Heinz Holliger is far too versatile to be confined to a single discipline.

Holliger, 58, dons two hats for his concert at London's Barbican Hall next Thursday: he will conduct the English Chamber Orchestra in works by Stravinsky, Britten and Schoenberg, and play solo oboe in Britten's *MetamorphOses after Ovid*. As a composer, he wins the ultimate recognition this summer when the four-movement version of his Violin Concerto is premiered at the Salzburg festival. A full-scale opera is promised for Zurich next year.

Holliger is not the only instrumentalist to take up the conductor's baton – nor the only composer to be a brilliant performer. What is so unusual about him is that his versatility has never held back his achievement in one or other sphere: he has always thrived on cross-fertilisation. He has used his creative insight to enrich his work as an interpreter – not just in the baroque oboe repertory, where the artisan quality of the music leaves acres of room for the soloist's imagination, but as a champion of awkward Romantic scores like Schumann's *Genoveva*, which he conducts with inspirational energy.

These gifts serve him equally well in contemporary music: he is so well-versed in the avant-garde that he can hear serial melody and bring dry modern scores to life. By the same token, he has a gut feeling that guards him against anything too esoteric in his own music: he may have served time with the serialists at Donaueschingen, but Holliger the oboist-conductor keeps Holliger the composer in touch with reality. The success of large-scale works like the *Scardanelli Cycle*, in which he matches the intensity and economy of Hölderlin's verse, speaks for itself.

Holliger wears his erudition lightly. Born near Berne in 1939, he studied there with the Hungarian composer Sándor Veress and in Paris with Pierre Boulez. While still in his teens he won a piano competition in Geneva. In his 20s he had his first compositions published, but it was as an oboist that he made his name. Holliger is the Liszt of the oboe – big tone, phenomenal technique, interpretative charisma. Give him the mind-blowing complexity of Berio's *Sequenza*, and he makes it convincing. In Holliger's hands, even "Baa baa black sheep" would sound extraordinary.

Holliger has never been a career musician – which is just as well, because his taste is quirky, and there is an anti-establishment side to him which can put people off, especially in conservative Switzerland. Based in Basle, he makes time only for those projects which really interest him, and will go to enormous trouble to make them happen. To compose, he withdraws to a bolt-hole in the mountains.

Talk to Holliger about music, and he immediately convinces you of what he calls "the unity of the art". He rails against concert promoters for clinging to the core classical and Romantic repertoire, and says most conductors go along with it for the sake of their careers. "That's why I refuse to blame the audience. They're thrown a modern piece without commentary, and of course they reject it, because they don't see it in a context. You can interest people in a much wider range of music, if they see that you believe in what you are doing. I try to conduct programmes with music from different periods: there are far more links than people imagine, and it forces you to listen in a different way."

But hasn't contemporary music become too intellectual for popular taste? Holliger argues that all great music is intellectual. "It's an insult to classical composers if you pretend otherwise. Tonality is an arithmetical system. The reason we think of Bach as intuitive is because he interiorised the tonal system he inherited from a previous generation. Schoenberg only sounds intellectual because he had to devise a system of his own. Berg's music has Romantic feeling, but that doesn't make it any less intellectual."

Holliger is equally robust in defending the postwar avant-garde. "Their aim may have been to make a clean break with tradition, but when you listen today to Boulez's *Structures I* or Stockhausen's *Kontrapunkte*, the music comes across as very emotional. The feeling is there, even when the composer uses a theoretical way of putting the notes together. The individuality is strong enough. When it's *not* strong enough, it doesn't matter whether you write in this system or that. It's just weak music."

Given Holliger's encyclopaedic knowledge of music history, his taste is understandably eclectic. He dismisses Minimalism and neo-spiritualism as "brainless musical tapestry". Brahms is "too academic, too controlled". Zelenka, on the other hand, was "a revolutionary, because he had no aesthetic limits". One of his greatest loves is Schumann, partly because of the literary inspiration of his music. "What I like about Schumann is this ecstatic feeling – he never goes in linear developments, he always moves in spirals and little groups of four notes, turning like a whirlwind. Schumann's music is a *Klangrede* – it speaks in a language beyond words."

Unlike most Modernist composers, Holliger speaks sparingly about his own music, which ranges from the heavy choral breathing of *Pneuma* to the bouncing rhythmic structures of the Violin Concerto. From Boulez he learned the technique of sound-colour, but he distances himself from the Boulezian concept of sound-as-object. "Music for me is something body-linked – it probably comes from my activity as a performer, playing a wind instrument: breath is a musical element. When I want a certain sound, it's not an abstract idea, it's not an effect. There's always this physical aspect: the rhythm of music is defined by the rhythms of the body. Otherwise you might as well produce the sounds in an electronic studio."

Theatre/Ian Shuttleworth

Ayckbourn revisited

The Greenwich Theatre has long cherished its association with Alan Ayckbourn and on this occasion chooses to revisit (with, in irksomely modish fashion, the playwright's name above the title) *Absent Friends*, the 1974 play which confirmed the author's growing interest in more than merely convenient comical discomfiture. Whilst one of the significant absences on stage is straightforwardly humorous – as Marge (Caroline Holdaway) takes a series of telephone calls from her husband who manages to suffer endless misfortunes even when confined to his bed – the tone is primarily set by Colin's rhapsodising about his recently deceased fiancée.

The play's genre – unmodulated contemporary drawing-room comedy – lulls director Michael Simkins into conducting matters rather more formally and less fluidly than Ayckbourn, as a director, handles his own work (the author being less prone than most to treating his plays as "Ayckbourn comedies"); scenes are played with tightness and precision but rather too much by the book.

James McCarthy, as the philandering Paul, resorts often to stage sarcasm; and for all his wife Diana's edgy insecurity, Louisa Rix carries a perceptible whiff of performance through early social niceties and later breakdown alike. David Pullan, as John, is unable quite to square the circle of fleeing from the topic of death unobtrusively enough for the other tea-party guests not to notice, yet visibly enough to draw audience laughter.

Gillian Tompkins' estuarial accent as Evelyn – John's wife, Paul's messy conquest – sounds more out of place in the suburban setting even than intended, but suits her laconic boredom well, particularly when reading out with amusing flatness a magazine article on "how to keep your man happy".

The play, though, is driven by Colin: the revelations between the six people present seldom come openly, but are rather revealed by the others' embarrassment as Colin prattles on, like an innocent, holy fool. Richard Derrington strikes a fine balance in the role: his affability never tips over into idiocy as he unknowingly glides over the growing uneasiness he inadvertently generates.

Jessica Tyrwhitt's design and the pre-show music locates the play vaguely in the mid-1980s, but period is not of the essence. In comparison with much of Ayckbourn's subsequent work, both the form and content of *Absent Friends* are relatively small beer, an impression reinforced by this comfortable but unexceptional production.

Greenwich Theatre, London SE10, until June 7 (0181-858-7755)

'Absent Friends' played by the book: Caroline Holdaway, David Pullan, Richard Derrington, Louisa Rix and James McCarthy Alastair Muir

Sponsorship/Antony Thorncroft

Companies opt for help in kind

The Coliseum, home of the English National Opera, is an old building, creaking towards its century. It must take health and safety seriously, or it could be judged unworkable by Westminster Council.

Fortunately its staff are attending seminars on the subject organised by the consultancy wing of AEA Technology, which is giving its time free in another example of sponsorship in kind. It is a commendable exercise in mutual benefit because AEA is using its ENO experience as a model for future work in this field for commercial clients in the entertainment industry. This should make its £10,000 plus investment worthwhile.

Sponsorship in kind is the fastest growing form of arts sponsorship, estimated by ABSA to be worth £8.2m in 1995-96, as against £6.8m the previous year. Its most obvious form is the free travel offered by the airlines to bring artists (and the media) to arts festivals and major events. For example, for the past decade American Airlines has been offering free tickets for overseas stars to visit the London Film Festival, in return for a promotional pay off. In cash terms the aid must equal almost £1m over the years.

Back on earth, railway companies Great North Eastern and InterCity West Coast, along with Air UK, provided £90,000 worth of free travel to the 1996 Year of the Visual Arts in the North East, while car companies also provide essential back up: Renault supplies the Edinburgh Festival with 17 Espace vehicles each August to ferry artistes around the city.

Most major art exhibitions look for a deal with a media sponsor to give free publicity to the event, and Classic fm has proved a good friend to many arts organisations, notably the RPO, which has had over £100,000 worth of free plugs for its concerts.

Rose Fenton, of the London International Festival of Theatre (LIFT), a keen seeker after sponsorships in kind, reckons it is the best form of sponsorship. "It forms a tangible link between the sponsor, the arts organisation, and the event. We had a crane given by Trafalgar House for a production at our last festival and the driver really got involved with the occasion".

LIFT also made use of 8,000 breeze blocks, given by Selcon, for a performance by the Bastille dancers, and for this summer's festival is seeking 6,000 cubic feet of sand to flesh out two productions. But among all the help in kind, Rose Fenton cherishes the free associate membership of the Groucho Club. "It enables us to entertain foreign artistes in an apparently risqué Soho venue."

ABSA gives an annual award for the most imaginative sponsorship in kind. Among the contenders this year are the Yang Sing Chinese restaurant in Manchester, and, at the other extreme, IBM. The Yang Sing is the designated restaurant of the Hallé, and twice a week, on average, the Hallé has entertained guests at the restaurant *gratis*. In return the restaurant gets to meet opinion-formers in the region, is invited to special and is given a high profile in the Hallé programme. The Hallé also organised educational workshops with local children in the Yang Sing's banqueting rooms, which led to the premiere of the Yang Sing Concerto.

IBM, through its Community Connections Awards, has helped Tyneside's Zone Gallery with the computers and software which enabled local Bangladeshi women to produce photographs and digital media work exploring their cultural identity. The results have garnered many prizes.

An equally effective way for business to help the arts is with expertise. Since 1989 Business in the Arts has enabled over 1,000 arts organisations to tune in to the expertise of a business professional – an accountant, a marketing executive, a computer buff – on a part time, and free, basis. Companies soon realised that loaning their personnel to the arts world was giving their managers a fillip, not least in their imagination.

Last year the scheme took a notch upwards with the Board Bank, sponsored by NatWest, through which promising executives join the boards of arts organisations to give, and receive, expertise. Not every arranged marriage has worked but most of the 400 volunteers involved have gained from the experience.

★

The City of London Festival seems to be pressing all the right buttons. The City of London Corporation has just announced that it will support it for another three years, matching the money it raises from sponsors. The 1997 festival, which opens on June 19, is underwritten with £280,000 from the corporation while backing from sponsors is likely to top £300,000.

For a City based arts organisation there is no shortage of potential supporters, keen to sign up for some discreet after-concert hospitality in one of the City's livery halls. But chairman Stephen Barter wants to put the festival on a secure financial footing, and is angling for longer term principal sponsors. His first is National Grid, which has committed £100,000 over three years. Other new sponsors include IBM and Coopers & Lybrand; the most generous giver remains Marks & Spencer, which underwrites the educational programme.

The corporation sees the festival as a vital part of its campaign to make the City a more exciting place, and so keep, and attract, foreign institutions to London. Corporate entertaining is an inevitable part of the festival, but Barter is anxious to play down elitism, and to develop an arts outreach programme, taking in the fringes of Islington, Hackney and Tower Hamlets.

★

Cable & Wireless is using art to ease its progress into a communist run Hong Kong. It has, at a cost of £250,000, commissioned the artist Ben Johnson to paint a vast panorama of Hong Kong from the Peak, which symbolises the look of the place on hand-over day. The painting will be presented to the new authorities.

Back in London, Cable & Wireless has recognised the new face of sponsorship by helping the Royal Opera House, not by paying for a new production, but by donating £116,000 to enable Covent Garden to launch its first world-wide web site. The site will enable the Covent Garden audience to keep up with its peripatetic performances as it moves around London during the two and a half year re-building of the ROH, which starts in July.

INTERNATIONAL ARTS GUIDE

■ ANTWERP

EXHIBITION
Koninklijk Museum voor Schone Kunsten Antwerpen Tel: 32-3-2387809
● Vlaamse Miniaturen voor Vorsten en Burgers, 1475-1550: exhibition which addresses a period in which Flemish miniaturists developed a unique style that served as an inspiration for artists in Flanders and abroad; to Jun 22

■ BARCELONA

EXHIBITION
Fundació Antoni Tàpies Tel: 34-3-4870315
● Marcel Broodthaers Cinema: exhibition focusing on the role of film in the work of the Belgian artist who used the medium throughout his career as a device for asking questions about art; to Jun 15

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Siegfried Lorenz: performance by the baritone, accompanied by the pianist Herbert Kaliga. The programme includes works by Wolf, Martin, Eisler and Schubert; May 4

DANCE
Staatsoper Unter den Linden Tel: 49-30-20354438
● Dix: choreograped by Roland Petit to music by Berg, Blacher, Blake, Hindemith and Künneke; May 4, 6

■ BONN

DANCE
Oper der Stadt Bonn Tel: 49-228-7281
● The Ballett der Oper der Stadt Bonn performs *Le Boeuf sur le Toit*, choreographed by Youri Vámos' to music by Milhaud, *Valse Triste* to music by Sibelius and *Josephslegende* to music by R. Strauss; May 4

■ BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200
● Beethoven Academie: with conductor Jan Caeyers and pianist Christian Zacharias in works by Stravinsky, Martin and Beethoven; May 6

■ CLEVELAND

EXHIBITION
Cleveland Museum of Art Tel: 1-216-421-7340
● Thomas Eakins: The Rowing Pictures: exhibition displaying all known rowing pictures of the American realist Thomas Eakins (1844-1916). The nine oil paintings and fourteen drawings were made between 1870 and 1874; to May 15

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Rundfunkorchester: with conductor Peter Falk, soprano Marina Edelhagen, tenor Henner Leyhe and soprano Anke Hoffman in works by Offenbach; May 6

■ COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek Tel: 45-49 19 07 19
● Men and Gods: exhibition featuring 200 objects of religious and mythological significance found during excavations in China over the last two decades. The collection includes a number of bronze heads from the period 1200-1000 BC, a jade suit belonging to Prince Liu Sheng (from 200 BC), burial offerings from the Shang period and ceramics from the time of the Han dynasty; to May 25

■ GENEVA

EXHIBITION
Musee d'Art et d'Histoire Tel: 41-22-3114340
● Morceaux choisis, Céramique de Grande Grèce: display of ceramics from Greece, featuring 150 fragments of vases dating from the 5th century BC up to the 3rd century AD; to Jul 20

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● MDR Sinfonieorchester: with conductor Fabio Luisi and tenor Sergej Larin in works by Verdi and Berlioz; May 6

■ LONDON

EXHIBITION
Dulwich Picture Gallery Tel: 44-181-6935254
● The Inner Eye: Art Beyond the Visible: exhibition examining the dreams and fantasies that have inspired artists from the Middle Ages to the present day. Featured artists include Blake, Collishaw, Ernst, Goya, Kandinsky, Klee and da Vinci; to Jun 1
National Gallery Tel: 44-171-7472885
● Discovering the Italian Baroque: The Denis Mahon Collection: display of 79 paintings and 30 drawings from the collection of mainly 17th century Italian works owned by Sir Denis Mahon, now shown in public for the first time. Includes works by Guercino, Reni, Domenichino and Carracci; to May 18

■ MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Simón Orfila: performance by the bass baritone accompanied by the pianist Kennedy Moretti. The programme includes work by Giordanni, Scarlatti, Gluck and Bellini; May 5

■ MUNICH

OPERA
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● Venus und Adonis: by Henze. Conducted by Pierre Audi and performed by the Bayerische Staatsoper. Soloists include Evelyn Herlitzius, Simone Schneider and Jennifer Trost; from May 4 to May 13

■ NEW YORK

EXHIBITION
Guggenheim Muséum Tel: 1-212-4233600
● A Century of Sculpture: The Nasher Collection: display of masterpieces of 19th and 20th century sculpture drawn from the collection of Patsy and Raymond Nasher; to May 28

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin, in works by Bernstein, Ives, Schuman, Copland and Gould; May 3

■ PARIS

EXHIBITION
Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Paris-Bruxelles/Bruxelles-Paris: exhibition focusing on the artistic relation and exchange between Belgium and France from 1848 to 1914. Attention is paid to both visual and decorative arts, architecture, literature and music, ranging in styles from Realism and Impressionism to Symbolism and Art Nouveau; to Jul 14

■ VENICE

OPERA
Gran Teatro la Fenice Tel: 39-41-786511
● La Bohème: by Leoncavallo. Conducted by Tiziano Severini, performed by the Orchestra del Teatro la Fenice. Soloists include Francesco Grollo, Martha Senn and Lucia Mazzaria, at the PalaFenice; May 6

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Mozart Orchester: performs works by Mozart; May 2, 3

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Les Contes d'Hoffmann: by Offenbach. Conducted by Jun Märkl. Soloists include Natalie Dessay, Heinz Zednik and Bryn Terfel; May 5

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European Money Wheel

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Europa • Lucja Swiatkowski Cannon

Sad symbol of reforms

Poland's Gdansk shipyard has fallen foul of hostile political and economic forces

Fight to survive: striking shipyard workers in Gdansk last year

The closure of the Gdansk shipyard announced last March is being presented as the result of its failure to adapt to a market economy.

Rather, the bankruptcy of the famous shipyard, birthplace of Solidarity, the trade union movement, is a result of unfavourable political forces and a hostile business environment. Poland's limited privatisation process has never addressed the needs of the large, failing state enterprises that dominate the economy. The shipyard also fell victim to the hostilities of the current government of former communists led by Mr Alexander Kwasniewski, the president.

In 1990, after the collapse of communism, Polish enterprises were buffeted by the macroeconomic storms of shock therapy. They were subjected to rampant inflation, a 40 per cent currency devaluation, and wildly fluctuating interest rates. The economy was flung open, subsidies were eliminated and distribution and finance systems collapsed. The economy plunged into deep recession, raising fears of a total breakdown.

Not only have companies had to cope with this unstable macroeconomic framework, but they have also had to battle against high taxes, red tape, corruption, irrational customs regulations and a lack of credit. The legal framework is unsuitable to a market economy, offering little protection to private property.

It is admirable that many state companies managed to come through in relatively good shape. They restructured, spun-off non-essential operations, shed labour and found new markets, and many are now turning a profit. They are busy modernising and seeking foreign investment and know-how, in preparation for ever-greater competition.

But the largest Polish enterprises – monuments to state socialism – remain unprofitable and in a precarious position. Their problems are too big to be dealt with by the companies themselves, but successive Polish governments have pursued a policy of neglect in the name of economic liberalism.

Businesses that are politically well-connected receive government largesse: extensive bank debt settlements, forgiveness of past taxes and government guaranteed bank loans. Those without connections flounder.

The situation of the Gdansk shipyard is typical, if extreme. In the 1980s, it became a symbol of Soviet dominance as 90 per cent of its production was exported to the Soviet Union for worthless roubles. Under martial law, it became saddled with highly unfavourable Soviet contracts as well as exploitative leases of its most valuable units to the communist nomenklatura. In 1990, it was struggling with this legacy when the shock therapy hit.

Shipbuilding is a risky business at the best of times. It requires long-term financing and needs a stable environment in which to plan ahead. The wild macroeconomic swings faced by the Gdansk shipyard made planning impossible. To add to its woes, the collapse of the Soviet market meant that 90 per cent of its production had to be sold elsewhere. In desperation, the shipyard signed ambitious contracts with western companies that were virtually impossible to complete.

The economy has stabilised in the past few years but the legacy of transition has lingered. The Gdansk shipyard remained saddled with huge debts and hampered by high tariffs on imported inputs. It finally lost its battle when the government refused to guarantee loans to Gdansk by state banks, precipitating bankruptcy proceedings.

The government's action was clearly politically motivated. Many large state enterprises are in the same financial situation as Gdansk, but only the shipyard is being closed. Given that it used to be one of the better enterprises and that shipbuilding is one of the few industries where Poland is competitive, the destruction of such an important economic asset can only be attributed to political revenge against Solidarity.

There is also a wider significance. The neo-central planners in the new ministry of state treasury and their western advisers are implementing plans to force many of the roughly 4,000 still-unprivatised enterprises into state holding companies.

Such holding companies, in shipbuilding, coal, steel and chemicals, would be akin to the old sectoral ministries of the communist era. They are designed to ensure central control and to provide jobs for the old nomenklatura. They also limit the access of foreign capital. Ministerial plans exist on paper, but not much has happened in practice. Enterprises likely to be affected are resisting the prospect of a government straitjacket.

This is where the bankruptcy of the Gdansk shipyard comes in. The shipyard has been offered the possibility of survival in limited form, but only if it joins the new state shipyard holding. The arm-twisting is a warning to other large state enterprises of what will happen if they resist.

Instead of pursuing such tactics, the government ought to concentrate on long-term market solutions to the problems of large enterprises. The closure of the Gdansk shipyard highlights the incomplete and distorted process of the structural transformation of Poland. What is needed is a market-based legal framework with equal enforcement of its rules, private credit mechanisms, renewed efforts at restructuring and privatisation and an improved climate for attracting job-creating foreign investment.

Above all, Poland must avoid sliding back in to an era of central controls and political intervention in economic decisions. If it does, then Gdansk, once a symbol of hope, may come to represent the failure of Poland's market reforms.

The author is an adjunct fellow at the Center for Strategic and International Studies in Washington, DC. Last year, she directed a study of privatisation strategy of the steel industry for the Polish government

LETTERS TO THE EDITOR

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Currency market 'turbulence' warning wrong and alarmist

From Mr Peter M. Oppenheimer.

Sir, Officials of the International Monetary Fund, including a personal adviser to the managing director, are reported to have warned of "turbulence" or even "chaos" in currency markets in the event of any postponement of European Monetary Union ("G7 steps up efforts to curb dollar", April 28). These irresponsible declarations should not be allowed to pass without comment.

Politically, it is quite improper for the fund's managing director who is both a Frenchman and a candidate for the presidency of the European central bank to allow the staff to make statements of this kind when the French are engaged in an election campaign focused on the Emu issue. The fact that the fund management and fund staff are constitutionally distinct is not understood even by many supposedly informed observers, and is therefore no defence.

Economically, the declarations are alarmist and devoid of perspective. As was seen in 1992-93, currency market "chaos" is shorthand for some above-average variation of exchange rates and/or interest rates, combined with unusual volumes of business for banks, including central banks. It will be accompanied in all likelihood by improved macroeconomic performance in the countries concerned.

Orderly markets are not an end in themselves but a means to optimum use of economic resources. The greatest disruption of mechanisms in recent years – greater by several orders of magnitude than that now being contemplated by the IMF – was the collapse of communism. Did that too fill the fund with horror?

Peter M. Oppenheimer,
Christ Church,
Oxford OX1 1DP,
UK

A real rate for the job

From Eugene Seidel.

Sir, Commercial translators show up on the radar screen of the FT ("Much lost in translation", April 28). A very welcome sight, and a sign that our work is recognised for its value – or is it?

I was puzzled by the figures – from £35 per 1,000 words – quoted by Jane Hibbert as typical rates. Professional translators are full-time business people and charge for their services at rates comparable to PR consultants or copywriters. Expect to pay £30 to £50 an hour and up for their services, or – if you prefer paying for quantifiable output – from £80 to £160 per 1,000 words for finely crafted translations of advertising material, annual reports or press releases.

However, it was gratifying to see Amon Cohen drive home the essential point: if you want to establish corporate credibility in another country – or in another language – hire a professional to ensure that your message isn't lost in the translation.

Eugene Seidel,
Working Words,
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60314 Frankfurt,
Germany

Questions of confidence in EU figures

From Mr P.F.A.St.C. Wilson.

Sir, I am concerned that vital economic decisions which will affect millions of people in the EU and outside will depend upon tenths of a percentage point of parameters such as gross domestic product.

Where national prestige and personal political futures are at stake there is the problem that the methods used for collecting and compiling the data are not consistent between the aspirants for monetary union. I would have more confidence if the reported figures had an indication of the sampling error.

P.F.A.St.C. Wilson,
Caja 15,
Credit Andorra,
St Julia de Lorca,
Principality of Andorra

From Mr S.V. Plattenberg.

Sir, "Who will fund this long-term debt in an economic and monetary union?", asks Professor Coffey of Minneapolis (Letters, April 29). The Germans, of course. This is "This Emu can surely fly", as Martin Wolf explains in the same issue.

S.V. Plattenberg,
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Switzerland

Misplaced concern about composition of FTSE 100 index

From Mr Mark Makepeace.

Sir, Martin Simons' concern (Letters, April 26/27) that the number of banks, utilities and insurance companies in the FTSE 100 is unhealthy is misplaced.

The FTSE 100 reflects the nature of the underlying market. Banks, utilities and insurance companies represent some 12 per cent, 11 per cent and 4 per cent of the value of the UK stock market respectively. It is right, therefore, that those sectors would also be strongly represented in the FTSE 100.

Investors know only too well that markets constantly change as new companies list and as some industries wane and others rise in importance. If the FTSE 100 is to continue to be the UK's authoritative index, it must change as the market changes.

Privatisations and demutualisations have created important new listed companies and it would be wrong if the FTSE 100 were to ignore them. How representative would the FTSE 100 be if it ignored 25 per cent of the UK stock market?

Mr Simons is also wrong in arguing for the composition of the FTSE 100 to be enlarged. The FTSE 100 already accounts for more than 70 per cent of the UK market by value – similar to the S&P 500 in the US which Mr Simons urges us to copy. The FTSE 100 was created in 1986 to support index futures and options trading on LIFFE. To enlarge the index would increase the cost and complexity of trading it without adding any significant value.

This is not to say the FTSE 100 index is perfect – it is rare that anything is. But the UK market is very well served for stock market indices. FTSE 100 represents the largest and most liquid of UK companies and these companies can often react differently to mid cap and small cap stocks.

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The FT Interview • Sepp Blatter

King matchmaker

Patrick Harverson on the man charged with organising football around the world

It says much about the central role football plays in the everyday life of Britain that Mr John Major, the prime minister, spent part of the final day of the election campaign this week lunching with Mr Sepp Blatter, general secretary of Fifa.

But then the man who runs world football's governing body is used to entertaining prime ministers and government leaders. And he arguably has a more important – not to mention tougher – job than many of them. As Mr Blatter boasts: "It may be difficult to run a country, but with Fifa this is the world."

The British prime minister has a mere 55m souls to look after. Mr Blatter is responsible for the 200m people worldwide who play football, 1.2bn people whose lives are touched by the game daily, and the $200bn they spend on the game every year.

He is also in charge of the quadrennial World Cup, a month-long festival of football that draws a cumulative television audience of 32bn people.

Yet it would be wrong to portray Fifa's general secretary as a typically bombastic international bureaucrat. The 61-year old native of Switzerland is a cheerful, engaging character whose enthusiasm for football knows few bounds.

Nor does his love of large numbers. He cites a report which calculated that $42bn of ancillary consumer spending was generated during the last World Cup by spectators and television viewers.

While Mr Blatter's figures may be debatable, the basic premise of his message is not: that football, the world's favourite game, makes a contribution to the global economy that governments and corporations cannot ignore.

This is why prime ministers stop by to see him, and why Mr Major was keen to raise the subject of England's bid to host the 2006 World Cup at lunch on Wednesday.

But before the location of the 2006 tournament is decided, Mr Blatter has to shepherd football through the 1998 and 2002 World Cups. Next year's venue is France, and Mr Blatter is fighting to persuade the French government to remove the 2.2m-high fences that ring the pitches at the World Cup stadiums. "Football fans are not animals or prisoners," he says.

The 2002 tournament, due to be staged jointly by South Korea and Japan, presents Fifa with even bigger problems. Mr Blatter admits the decision to avoid offending either country by awarding the World Cup to both was a gutless compromise.

The warped logic that produced the dual-nationality World Cup comes as no surprise to him. "Football is passion, and where you have passion you have the irrational," he says.

Organising the World Cup in two different countries with different languages, currencies and footballing cultures is certainly irrational. It is also a logistical nightmare. For example, Mr Blatter says he is working to ensure that every player, official and fan will have the necessary visa to travel between the two countries.

He is also looking into how to price World Cup tickets. A seat at a top Japanese league game costs on average $28, but in Korea it is only $7. "How do you harmonise ticket prices with discrepancies like that?" he asks in exasperation.

However, if the logistics and economics are challenging, it is the politics of the 2002 World Cup that are giving Fifa's general secretary the biggest headache.

The respective South Korean and Japanese football federations may have become resigned to co-operating, but "the two governments do not like each other", says Mr Blatter. Representatives from South Korea and Japan met for the first time recently, but they could not even agree to release a communiqué such was the lack of communication.

Ultimately, however, he says Fifa will sort it out, by force if necessary. "We are not going to ask them to do it. We are going to impose."

The hint of steely purpose in that remark suggests that beneath the charm and bonhomie a ruthless administrator lurks. And like all technocrats, Mr Blatter will defend his organisation against threats from within.

These threats, he says, come in many forms. There is a trend for players and clubs to challenge the laws of football in the courts and for television companies and sponsors to alter the fixture lists of top leagues and arrange internationals to suit their scheduling and marketing needs. All represent a challenge to the structural integrity of Fifa that Mr Blatter will not tolerate.

"The players are responsible to their clubs, the clubs to their league, the leagues to their regional confederations and the confederations to us," he says. If anyone within the system tries to go their own way, then the Fifa "pyramid" that has survived since 1904 will collapse, he warns.

Although responsible for the day-to-day running of football, Mr Blatter does not sit atop the Fifa pyramid. Mr Joao Havelange is Fifa's president and the real power – political, rather than operational – lies with the octogenarian Brazilian.

However, Mr Havelange is due to retire next year and Mr Blatter's name has been widely mentioned as a possible successor. Does he want to move up from chief executive to be chairman? He refuses to be drawn. "The presidency of Fifa is a question of high politics," he says cryptically.

He does seem quite happy where he is, and his plate is clearly full. Apart from organising World Cups, he is addressing issues of corruption, commercial over-exploitation, racism and fair play through his chairmanship of the grandly-titled "Fifa Working Group for the Good of the Game".

And on the field he wants to make the game more attractive, cut dangerous play and tackle time-wasting goalkeepers.

He lists some of the challenges facing football and Fifa that he plans to address in the coming years: financial problems, poor infrastructure, political interference from government and the courts, rising player power and increasingly intrusive demands of television. "Now, tell me. Do I sound like a man who wants to retire?"

COMMENT & ANALYSIS

FINANCIAL TIMES
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Friday May 2 1997

BMW chief on Emu

If the UK stays out of Emu, warns Mr Bernd Pischetsrieder of BMW, industry will suffer, as it did when the country stayed out of the common market. What is more, "the financial capital of Europe will be Frankfurt, not London". When Mr Pischetsrieder speaks, the UK must listen. But it does not have to agree entirely.

Sterling's appreciation has been uncomfortable: the trade-weighted exchange rate is back to where it was when the pound was ejected from the ERM in 1992; the same is true for the rate of exchange against the D-Mark; and the real exchange rate has appreciated by some 20 per cent since 1995.

So far, the volume of UK exports, excluding oil and erratics, has held up. But this is unlikely to last. For BMW's Rover subsidiary, which exports more than 50 per cent of its output, such an appreciation must be traumatic. Looking at the experience of his own company, Mr Pischetsrieder concludes that, with the UK outside Emu, "BMW will earn more money by exporting more BMWs to Britain and Rover will increase its losses".

What is remarkable about this comment is its implications for the euro. Implicitly, Mr Pischetsrieder assumes that the pound is set to remain permanently strong against the new European currency. He must be wrong to forget that what goes up goes down: in time sterling is more likely to depreciate against the D-Mark, or euro, than stay where it is.

If the chairman of BMW is concerned about the long-term competitiveness of the company he has bought, he should worry most about the risk of sterling's being put into the euro at an overvalued rate, as when it joined ERM in 1990. This would be more damaging than continuing to float outside. Reductions in exchange rate volatility would, of course, be desirable. But the cost of enforced stability could be very high if UK economic conditions remained significantly out of line with those of the continent or the pound were to enter Emu at an uncompetitive rate.

As for the City of London, Mr Pischetsrieder need not worry too much. It now does a great deal of business originating in Germany, even though it is outside the D-Mark zone, as it has long done a great deal of business originating in the US, though it is outside the dollar zone.

London is the world's international financial *entrepôt*. Creation of the euro need not undermine that status: it might even reinforce it.

Inward investors matter. But the decision on whether, when and how the UK is to join Emu demands a wider view.

Kabila's test

The fate of central Africa is in the balance this weekend. The threat of a bloody débâcle in Zaire, with a destabilising effect throughout the region, remains very real. President Nelson Mandela of South Africa, a man who has earned his reputation as a great conciliator, is hoping to chair talks between President Mobutu Sese Seko, the country's ailing dictator, and Mr Laurent Kabila, leader of the rapidly advancing rebel alliance, in an effort to avert it.

The talks, arranged by Pretoria and Washington, represent the biggest test for Mr Kabila since his forces launched their offensive in eastern Zaire seven months ago. He is rightly determined to force President Mobutu, probably the most corrupt ruler in Africa, to quit. But he should also make every effort to ensure it happens in a peaceful way. Zaire has a terrible history of violence in its colonial and post-colonial past which must not be repeated.

Mr Kabila has to help prevent anarchy in Kinshasa, where the government's demoralised, unpaid and undisciplined troops could easily go on the rampage. This may prove impossible to avoid, but the one hope is to persuade President Mobutu to go swiftly and gracefully.

The rebel leader's caution is understandable, since Mr Mobutu is a wily adversary. There is little doubt that he hopes to turn the meeting into the first stage of a protracted negotiation, hoping to stay in charge of a transitional government, and playing on fears that he might instigate anarchy in Kinshasa if he does not get his way.

Yet Mr Kabila has nothing to lose by taking part in the talks, and should not delay them, or make belligerent statements designed to infuriate his rival. After all, his troops continue to advance on Kinshasa, and will soon be able to put the city under siege. He should be firm, but can afford to be magnanimous.

Although he has the upper hand militarily, he must also establish his moral authority. That means addressing the tragedy of as many as 100,000 Rwandan refugees stranded by the civil war in the east. The suspicion is that his forces have been complicit in what Mr Kofi Annan, the UN secretary-general, calls their "slow extermination".

Mr Kabila must order his troops in the area to give every assistance to efforts to track down the refugees, and allow relief workers to deliver aid to them. He must co-operate with an independent international investigation into what happened. Only in this way can he secure the support of the international community, whose aid will be essential to the rebuilding of the post-Mobutu Zaire.

TV choice

In the next few weeks, the Independent Television Commission will make a decision which could have profound implications for the future of television in the UK. It is to chose between two radically different proposals for exploiting some 30 to 50 digital terrestrial channels which will soon become available. This service will be broadcast from radio masts like the present analogue signals. But many more channels will be squeezed into the airwaves.

This could provide yet more opportunities to make money from exclusive sports rights and the recycling of old movies. This was Mr Rupert Murdoch's successful formula for UK satellite broadcasting. His BSkyB has now joined Carlton and Granada in British Digital Broadcasting, one of two bidders for the franchise, to try to do the same on land.

Its rival is Digital Television Network, owned by NTL, the cable TV operator. DTN seeks to exploit a much more exciting possibility of digital technology: the ability of viewers to "talk back", much as they interact with a personal computer.

DTN will also provide some sport and movies, and its rival will offer some interactive services. But the choice is clear: the familiar armchair fix delivered by another system, or a radically new way of using the box, to make it more like a computer connected to the Internet.

DTN is offering 40 or more interactive channels including Hansard on line, learning programmes, armchair shopping, banking and reference books.

Under its proposal, a big increase in the number of channels will be used to cater for many different minorities. BDB, on the other hand, aims squarely for a mass audience. And much of its material will be available by other means, particularly via satellite.

The commission will need to judge whether DTN's innovative ideas can be matched by quality of output and commercial acumen. Enterprising plans are not enough. It must also persuade people to subscribe.

With that important proviso, the commission should lean as far as it can towards the interactive proposal, for some of the channels if not for all. Anyone who wants a swig of the Murdoch mixture will be able to tune into the 200 or more digital satellite channels which will soon be available. The best interests of viewers will be served by a choice of services accessible via a single set-top digital converter.

DTN has promised that its set-top box will accept plug-ins for other digital services. The ITC has no power to specify the design of such boxes, but it should insist as far as it can on maximum compatibility. That is the best way to promote competition among providers and choice for viewers.

Held back by other interests

Clinton is running into opposition from diverse sources over renewing China's trade status, says Guy de Jonquières

There may seem little connection between China's family planning policy and the terms on which it exports to the US products such as T-shirts and stuffed toys. But the threat that the two issues will become entangled in a bitter struggle in Congress this summer has recently sent shivers through the administration of Bill Clinton, US president.

The alarm has been triggered by the decision of the Family Research Council, a coalition of rightwing US religious groups, to campaign for trade sanctions against China. It is protesting against Beijing's policy of promoting abortion and restricting benefits to families with more than one child.

Mr Clinton has good reason to worry. The religious right has proved to be an influential lobby, particularly among the Republicans who control Congress.

But it is also the latest recruit to the swelling ranks of critics, on both right and left, who are intent on turning China into a whipping boy. In doing so – and threatening to use trade as a weapon – they are putting at risk the president's efforts to build a more harmonious relationship with Beijing.

After taking a hard line against China on human rights during his first term, Mr Clinton has shifted to a strategy of engaging it in a comprehensive dialogue, spanning issues including trade, security and foreign policy.

He and Mr Jiang Zemin, president of China, plan two summits, the first of which is tentatively scheduled for the autumn. Both sides hope the leaders will be able to announce a breakthrough in negotiations on Beijing's long-stalled move to join the World Trade Organisation.

However, the virulence of anti-Chinese feeling in Washington – which often has overtones of a witch-hunt – is raising questions about Mr Clinton's ability to muster the domestic political support needed to sustain his "constructive engagement" approach towards Beijing and remain in command of the agenda.

The ferment is set to come to a head in early summer, when the president asks Congress to extend China's Most Favoured Nation trade status, which guarantees the same tariffs on its exports as the US applies to most other trading partners. Under a US law dating from the 1970s, China is one of a handful of countries for which the status must be renewed annually.

Ever since the 1989 Tiananmen Square massacre, the vote on the issue has been preceded by sabre-rattling by China's critics on Capitol Hill. In the event, most favoured nation status has been renewed by a comfortable majority every year since the early 1990s.

This time, however, the Clinton administration faces a far tougher fight. "The debate will be much nastier than last year," says a senior US official. "There is now a real sense of urgency about MFN, and a growing recognition of just how fragile our relationship with China is."

The debate is shaping up as a platform for an unusually wide range of opponents, who object that "constructive engagement" has failed to change China's behaviour for the better and are calling for a tougher approach to Beijing.

In addition to the religious right, pressure groups are attacking the administration over a variety of issues: China's human rights record; its approach to the forthcoming Hong Kong transition; its belligerent attitude to Taiwan; its yawning trade surplus with the US; and its weapons sales to countries such as Pakistan.

The divisions over China have split the Democrats. Their leader in the House of Representatives, Mr Dick Gephardt, has said he may oppose renewing China's trade status, as he did last year. The labour unions, traditionally Democratic supporters, are also lobbying hard against it.

Successive presidents have always been able in the past to mobilise the votes needed to approve the status. But this year, some normally reliable allies are proving reluctant to stand up and be counted.

Mr Newt Gingrich, Republican speaker in the House, and Mr Dick Armey, his deputy – both staunch supporters of China's trade status in the past – are hedging their bets. Mr Gingrich has called for it to be renewed for less than a year, pending Hong Kong's reversion to Beijing, while Mr Armey has said he is reviewing his position.

Mr Gingrich's hesitations appear to reflect uncertainty about the solidity of his own power base – a concern highlighted by the Family Research Council's decision to break ranks with him over China. "The religious right is holding Gingrich's feet to the fire on this issue," says one US official.

Meanwhile, US business lobbyists in favour of China's status have been placed on the defensive by media accusations that they support Mr Clinton's stance largely because they want to curry commercial favour with Beijing.

But they are equally concerned that their argument that free trade with China benefits the US economy could be undermined by the loss of showpiece export contracts there. Boeing, for example, is worried that the European Airbus consortium is poised to grab a bigger share of the Chinese market, which the US company now dominates.

The most unpredictable – and potentially most damaging – element is the controversy over suggestions that China covertly contributed to Mr Clinton's re-election campaign. Although there is no firm evidence of this, and Beijing has flatly denied it, the allegations have poisoned the political atmosphere in Washington.

As well as handing a stick to Mr Clinton's opponents, the affair has intimidated Congressional supporters of renewing China's Most Favoured Nation status. "There is going to be a suspicion out there of any members who press for it," says Congressman Jim Kolbe, a liberal Republican. "People will ask, why do they want to be nice to China?"

Nonetheless, the odds are still against Congress rejecting the renewal outright. To do so, it would need to vote down renewal and then muster the two thirds majority of both houses required to override a presidential veto. The administration and many seasoned congressional observers agree that this is unlikely.

They argue that once Congress members confront the issues squarely, they will realise revoking China's trade status would be a futile gesture. Not only would it give the US no additional leverage over Beijing, it would severely damage both economies and remove China's incentive to undertake the market-opening measures required to join the World Trade Organisation.

"No one has ever been able to explain how disengagement from China, how imposing massive tariffs on Chinese goods and wrenching an entire economic and political relationship, can possibly advance our interests," says Mr Stuart Eizenstat, under-secretary of commerce for international trade.

Yet senior US officials also acknowledge privately that, to secure an extension to China's MFN status and keep their engagement policy on track, they must still brave a domestic political minefield.

One potential hazard is the impending Congressional hearings on illicit campaign funding. Even if these turned up no firm evidence to implicate China, some observers fear the publicity they generate could inhibit Mr Clinton from throwing his full political weight behind renewing China's trade status.

The debate will also be heavily overshadowed by Hong Kong's reversion to China on June 30. Mr Clinton must propose the renewal by June 3, and Congress is required to vote within 90 days. However, his advisers accept that it is unlikely to do so until after the handover.

They hope Congress will act by the end of July, before breaking for the summer holidays. That may be optimistic. Some members have indicated they will want longer to monitor Beijing's behaviour towards Hong Kong. Ms Connie Mack, a Republican senator, for example, has proposed postponing a vote on China's status until early September.

Another possibility is that Congress might vote against renewal, delaying a final decision until late this year. A third option would be swiftly to approve the renewal, but to pass legislation making it subject to China fulfilling specified conditions of good behaviour.

US officials – like the Hong Kong government – insist threats to withhold Most Favoured Nation status from China are hollow, since doing so would hurt the territory's exports as much as China's. "In truth, we have very few levers to hold China to its commitments towards Hong Kong," says one.

That leaves the administration relying heavily on China on two counts: that it will tread carefully in its approach to Hong Kong; and that it will treat the dogfight in Congress as a largely domestic affair, which does not directly threaten the two sides' efforts to build a stronger relationship.

So far, their embryonic dialogue seems to be surviving the strain. But even US officials who predict a successful outcome to the debate are uncomfortably aware of the dangers that Beijing will misinterpret the political signals from Washington.

"I am fairly confident that any actions which Congress takes against China will be largely symbolic," says one. "But the question is, will China understand that?"

· OBSERVER ·

End for Paris match

■ The son-in-law doesn't always get to sit in the boss's chair, or so it seems with the departure of Edouard Stern from Paris investment bank Lazard Frères.

Although he had never been formally anointed, the ebullient Stern had – until a series of semi-public rows over the last year – been widely regarded as heir apparent to the sprightly Michel David-Weill, Lazard's capo di capi and father of Stern's wife.

David-Weill himself sees no burning need for a successor and, at 64, shows every sign of expecting to remain in harness for at least another 15 years. Even so, the departure of Stern, 43, following the loss of several other younger partners, substantially raises the average age at Lazard.

With its upper ranks dominated by veterans such as Antoine Bernheim, 72, and Bruno Roger, 63, the Paris house looks distinctly elderly in comparison with the sparky young bankers at its London and New York associates.

On the other hand, Stern's abrasive personality may have had more than a passing influence on some recent departures, such as that of Anne Lauvergeon, with whom he quarrelled over who should get a board seat at Pechiney. With the son-in-law out of the way, the bank may even find that top-rank talent is not quite so hard to find or keep.

Meanwhile, David Verey, 46-year-old chairman of Lazard Brothers in London and a man with merchant banking in his blood, is basking in the verdict of one French newspaper that he would make *"un dauphin idéal"* for David-Weill. He's loyally playing down the idea, claiming David-Weill would only leave Lazard "feet first".

New broom

■ Residents of Maharani Bagh, a sleepy residential district in New Delhi, are finding it hard to keep up with the changes in their neighbourhood in the few days since Inder Kumar Gujral, who lives there, was appointed India's prime minister.

First came the armed policemen, who swarm through the area at all times, blocking traffic at any sign of a white official Ambassador car and trying to herd joggers out of the local park.

Then came painters who transformed every white line, speed bump, wall, rubbish dump and even the trees. An army of sweepers descends upon the colony every day.

New transformers have arrived at the local electricity sub-station. The unsightly video shack has gone, and so have the fruitsellers' stands from the nearby crossing on the ring road. All roads leading to the colony are being resurfaced – needed for years.

What Gujral thinks of this is not known – after all, he does know what Maharani Bagh looked like before. He will move to an official residence when his predecessor gets round to moving out. But given the storm clouds already swirling round his government, he might be wise not to board up his own house just yet.

Minefield

■ Do business newspapers count as truly national newspapers? This is not just a bar-room debating point for FT types, but a crucial question for Brazil's privatisation programme.

A São Paulo judge has ruled that the sale of the world's largest iron ore miner, CVRD, was illegal because the government had not published the tender documents in "well-known" national newspapers. Details of the planned privatisation were printed in Gazeta Mercantil, the leading business paper in the country and the equivalent of the FT.

The government is still trying to appeal against the ruling. But as far as judge João Batista Gonçalves was concerned, readers of mainstream papers such as Globo and Folha de São Paulo, who happened to have $3bn of loose change in their pockets, had missed out on an opportunity to buy a mining company due to the government's oversight.

Price of success

■ Ireland and the Eurovision Song Contest have become almost synonymous, the emerald isle having won Europe's biggest popular music competition in four of the last five years – and eight times in all.

On Saturday, the small, state broadcaster RTE is again playing host to the I£2.8m extravaganza. Part of the tab is picked up by the European Broadcasting Union but RTE has to find I£1m from its own resources to finance the three hour show. Even worse news for RTE, the bookies make the Irish entry favourite to win the blessed thing yet again.

Culture minister Michael Higgins asks rather despairingly: "If Ireland wins time and time again, then is it fair to have one country carrying all the cost?"

Given the infuriating luck of the Irish, Observer's unequivocal answer is yes.

The Financial Times

50 years ago

Ford Exports
Washington, 1st May. Ford had been shipping 6 per cent of its output overseas, and they were not going to change this, said Mr Henry Ford, addressing the National Press Club. The U.S., he said, was back on the road to "hot, tough competition." The company was trying to achieve leadership again in the low-priced field. While at present working at 65 per cent of capacity, they were building four new assembly plants. Mr Ford considered a "lighter car" unlikely in the U.S. because the public wanted a "living-room on the road."

German Currency Reform
Notwithstanding the official denial of reports of an impending German currency reforms, it is believed in usually well informed circles that some arrangement is on its way, even though the report was premature. The breakdown of the Moscow attempt at the economic unification of Germany does not in itself rule out an agreement between the four Occupation Powers for the adoption of a drastic currency reform.

FINANCIAL TIMES
Friday May 2 1997

Le Pen attacks Chirac for promoting 'national suicide'

By David Buchan in Paris

Mr Jean-Marie Le Pen, leader of France's far-right National Front, yesterday launched the movement's election campaign by saying President Jacques Chirac was asking the French to commit "national suicide" by submerging them in Europe.

At the front's May Day rally, held as usual near the statue of Joan of Arc in Paris, Mr Le Pen accused the president of using the parliamentary election to "ask for a blank cheque to betray France by dissolving it in the Europe of Maastricht" – a reference to the Maastricht treaty on European union.

National Front supporters attend yesterday's rally in Paris where the party election campaign was launched Picture: AP

Mr Le Pen made the president the focus of his anti-government attacks in an hour-long speech, possibly trying to justify his announcement on Wednesday night that he would not run in the election, the first round of which takes place on May 25. Mr Le Pen says he wants to keep himself ready for an early presidential poll.

He said if the centre-right coalition led by Mr Chirac's fellow Gaullist, Mr Alain Juppé, the prime minister, was not returned to power, the president should resign, even though his term lasts until 2002. Speaking to 9,000 supporters, and largely ignoring the left, the former Foreign Legion parachutist rejected suggestions he was avoiding the election because he was afraid of defeat.

But Mr Jacques Peyrat, a former National Front member who is now the Gaullist mayor of Nice, said he took Mr Le Pen's decision as "an admission of weakness". Mr Peyrat, who is defending his parliamentary seat at Nice, had challenged Mr Le Pen to run against him. Defeat might also have put Mr Le Pen in a poor light compared with his number two, Mr Bruno Megret, who is strongly favoured to be one of the few National Front candidates to win a seat.

Questioned about this at the Paris rally – held on May Day partly to spite leftwing union marches – most rank and file Front members claimed the Le Pen-Megret rivalry was an invention of the "biased media" and said they supported Mr Le Pen's decision.

On the mainstream left and right, meanwhile, politicians continued to direct their fire at each other yesterday, with both sides forecasting a victory for the main opposition Labour party in the UK general election and interpreting it to their own advantage.

Mr Juppé told a rally Labour had "re-established its credibility because it has renounced socialism and broken with its dirigiste and bureaucratic logic". Mr Lionel Jospin, the French Socialist leader, hailed Mr Tony Blair, the Labour leader, as a friend and said his victory would mark in the UK "the end of the ultra-liberalism ... which the right want to impose on us in France".

Emboldened by this week's news of a March fall in the number of job-seekers, Mr Juppé has cautiously started to vaunt his government's partial success in recently reducing the number of young people without work, even though long-term unemployment is still high.

The overall jobless rate remains at a record 12.8 per cent. He attacked the Socialists for wanting to maintain a "regulated" society and proposing "an artificial boost" by increasing demand, in contrast to his recipe for "lasting economic growth" through steady cuts in spending and taxes.

THE LEX COLUMN

Upwardly mobile

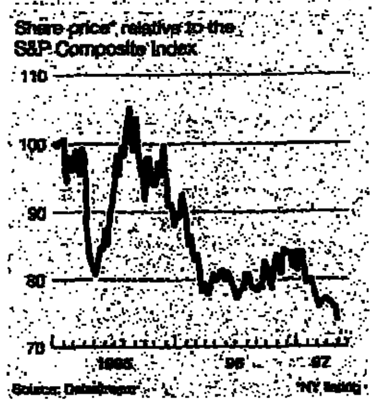
Could DoCoMo, the mobile telephone arm of Japan's NTT, really be worth $20bn in a flotation? The short answer is, yes. With revenues of Y1,900bn ($15bn) and 11m subscribers, it is the world's largest cellular operator by almost any measure. Profits are currently depressed, with pre-tax margins of only 5 per cent, but this reflects heavy investment to take advantage of explosive growth in its recently deregulated marketplace. Over the next four years, DoCoMo's subscriber base is expected to grow at 20 per cent a year to 25m, giving it more than half the Japanese market. That growth is being fuelled by a steep decline in call charges, which have fallen 47 per cent in three years.

Given patchy financial information, a formal valuation is tricky. But using those forecasts on subscriber growth and assuming further, but more gentle, price erosion, a rough discounted cashflow valuation suggests an enterprise value for DoCoMo of Y3,900bn ($31bn). Subtracting estimated net debt of Y1,150bn ($9bn) points to a market capitalisation of $22bn. Alternatively, look at three other established cellular operators: Airtouch of the US, Vodafone's UK business and Telecom Italia Mobile. They are trading at an average of $3,200 per current subscriber. Applying that to DoCoMo and again subtracting its borrowings gives a market value of $26bn.

The risk is that new competition provokes a further, unexpected fall in call charges. But on current form, estimates of DoCoMo's value look well underpinned.

Seagram

FTSE Eurotrack 200:
2266.0 (+8.4)



Mr Edgar Bronfman Jr, chief executive of Seagram, may not have come a cropper from swapping a stake in Du Pont for control of the MCA entertainment business. But he has got a long way to go before he can prove that it was sensible. Seagram's shares have fallen 20 per cent against the US market since the strategy emerged in April 1995. Du Pont's shares have out-performed by more than 10 per cent. And Seagram's stock market valuation still looks pretty stretched. More worryingly, the group's latest results show a poor performance from the former core business, spirits. Martell and Chivas Regal, two of Seagram's most important brands, both showed marked volume declines. Given recent restructuring moves and a more benign pricing environment, the business should be performing better. The suspicion must be that now that Seagram has gone into show business, spirits will start to come off the boil.

The group could still benefit from big strategic moves. Its MCA music business is very much US-focused, and a link-up with EMI would make good sense, given the latter's exposure to Europe and emerging markets. But with costs in the entertainment business spiralling and risks increasing – Seagram's last big film, Dante's Peak, has not been a raging success – Mr Bronfman will need a convincing story on valuations to splash out on another big media deal. And while the Bronfman family controls the company, families also prefer to see value creation.

Shell

Yesterday's first-quarter results from Shell encapsulate the group's most fundamental problem. The figures were perfectly respectable, with healthy signs of efficiency improvement buried in the detail. But the business is throwing off phenomenal sums in spare cash: £2.5bn in operating cashflow in a single quarter, of which only £1.5bn was used for investment. The inevitable result of this embarrassment of riches is a net cash pile of £1bn and rising, on which the returns are inevitably poor.

One solution would be to hand some cash back to shareholders – something many, including this column, have long urged. And Wednesday's buy-back from Shell Canada is an encouraging sign that the group is not against the idea. The snag, under the present British and Dutch tax regimes, is that a handout would not be particularly tax-efficient.

That might change – if for instance Britain abolished advance corporation tax or the Netherlands changed its rules on buy-backs. And if the cash just piles up, the case for handing it out anyway will grow. But in the meantime, might it not be better to find good uses for the money within the company? Shell often talks of stepping up its investment programme, but the figure actually fell this quarter against the same period last year. Nobody wants the company to hurl money uncritically down black holes. But with so much cash sloshing around, the group badly needs to strive to find ways to use it well.

UK DIY sector

DIY retailers will fall asleep tonight dreaming of bright skies, bank holidays, and jangling tills. And yesterday's buoyant trading statement from Wickes confirms that things are looking up for the £8.4bn-a-year industry. Certainly it has bounced back from 1995 when the market failed to grow. Last year, growth was around 6 per cent and the pace has probably picked up slightly since then. Good weather has helped, while the pick-up in the housing market and building society windfalls will fuel further growth.

Scratch a little deeper, though, and the sector remains in frail health. Consumer spending is still far from robust; demand for discretionary items like carpets has plummeted recently. And while the DIY market is growing, gains are not being shared evenly. The big winner is B&Q, and Sainsbury's Homebase continues to do well. But others like Do-it-All, Wickes and Texas are still failing to make money.

The problem remains overcapacity. Space may not have grown as fast as sales; Wickes has curbed its hectic growth, and capacity is being cut at Do-it-All and Texas. But B&Q has continued to open new warehouses, and their more modern livery has helped them pinch custom. With Texas in the Homebase fold, the sector has lost some of its more self-destructive habits, but pricing still remains very competitive. The concern is that if it proves this difficult to make money when the cycle is benign, trouble surely lies ahead when another downturn arrives.

'Millennium bomb' threat to global telecoms links

By Alan Cane

Major telecoms operators have warned that it could be impossible to telephone some countries after the turn of the century because of the so-called "millennium bomb".

While large operators in the US and the UK are investing heavily to ensure their systems are free of the bomb – the inability of some computer systems to distinguish between this century and the next – operators elsewhere are behind in their preparations.

British Telecommunications, which has set up a programme to ensure its systems will function correctly, has written to its counterparts abroad to ascertain their preparedness.

Mr Paul Harborne, head of the BT programme, said: "We believe some European operators are working on it but is anybody taking any action at all in the Far East?"

He is chiefly concerned that the world's operators should not only eliminate the bomb from their systems but have time to spare to test the way they work together.

AT&T, the largest US operator, for example, has established a project team under Mr George Brucia, a vice-president, and aims to have the work completed by January 1 1999. The company said: "We see this more as a task to be carried through than a problem. But if it is not completed in time, it will be a serious problem."

Major telecoms manufacturers, including Lucent Technologies of the US, France's Alcatel, GPT of the UK and Sweden's Ericsson, are addressing the issue. The expected ready availability of equipment tested for compliance could therefore provide a solution for operators who do not take action quickly enough, according to some experts.

The International Telecommunication Union, the Geneva-based organisation which co-ordinates the activities of national operators, will, for the first time, discuss what action to take in talks beginning on May 20.

While it has no power to force individual operators to take action, it could set standards against which their compliance could be tested.

The bomb results from the common software practice of storing the year in a date as two digits – 97, rather than 1997 – to save memory. After December 31 1999, affected computers may malfunction in unpredictable ways because of their inability to recognise a 21st century date.

US budget talks edge toward deal

Continued from Page 1

with news that consumer spending rose in March by 0.5 per cent to a seasonally adjusted annual rate of $5.37 trillion (million million), while incomes rose 0.6 per cent in March after a 0.8 per cent jump in February.

The proposed tax cut falls slightly short of Republican hopes, while the slashing of expenditure on Medicare goes $10bn further than the last offer from the White House.

But Republicans yesterday appeared upbeat about the chances of a deal. "It seems as though there is an enormous amount of agreement on the budget," said Ms Marge Roukema, a Republican Congresswoman.

Senator Tom Daschle, the minority leader, made clear that he and many of his fellow Democrats were unhappy about the terms of the deal and the way it was hammered out in secret negotiations.

He said: "I'm declaring my independence. I'm not going to sell it if I don't believe in it."

The tax cuts were reported to include a tax credit of $500 per child, a lowering in capital gains tax and a doubling to $1.2m in the minimum size of estates which attract inheritance tax.

Fidelity names chief operating officer

Continued from Page 1

to enforce greater discipline. He displaced Mr Gary Burkhead, who went to a newly created position running Fidelity's institutional business.

Mr Johnson said the appointment of a chief operating officer was a "natural step in the evolution of our senior management team", given the pace of Fidelity's growth.

The moves also intensified speculation that Mr Johnson is preparing the way for his 35-year-old daughter, Ms Abigail Johnson, to succeed him. A fund manager with Fidelity since 1988, her latest promotion came earlier this week when she was one of three new associate directors appointed by Mr Pozen.

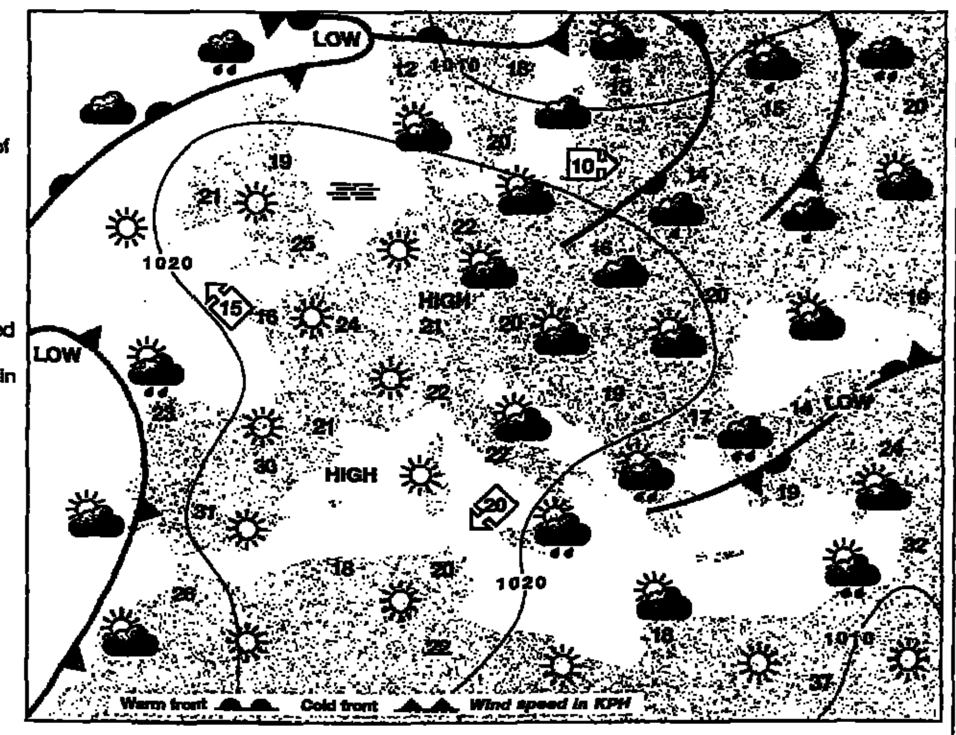
FT WEATHER GUIDE

Europe today

Most of north-western Europe will be sunny because of high pressure over the area. Temperatures will exceed 20C in most places. Most of the Iberian Peninsula will be sunny but there will be clouds in the west as a disturbance approaches from the Atlantic. The Alps and northern Italy will be mainly sunny. Sunny periods are expected in southern Italy though Sicily may have showers. Showers are also expected in Greece and most of Turkey. The Ukraine will be partly cloudy and rain is possible.

Five-day forecast

The high pressure system will gradually move into the western Mediterranean. Meanwhile, low pressure will prevail over eastern Europe and Scandinavia. By Sunday, a disturbance will reach western Europe and conditions will deteriorate. This storm system may bring winds and rain to the area early next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	sun 33
Accra	fair 31
Algiers	sun 21
Amsterdam	sun 22
Athens	shower 18
Atlanta	fair 27
B. Aires	fair 24
B.ham	sun 24
Bangkok	shower 37
Barcelona	sun 19
Beijing	fair 25
Belfast	fair 20
Belgrade	fair 19
Berlin	fair 22
Bermuda	fair 23
Bogota	shower 20
Bombay	sun 34
Brussels	sun 22
Budapest	fair 20
C.hagen	fair 19
Cairo	fair 31
Cape Town	sun 22
Caracas	fair 31
Cardiff	sun 21
Casablanca	fair 23
Chicago	rain 11
Cologne	sun 23
Dakar	sun 26
Dallas	thund 27
Delhi	fair 35
Dubai	sun 33
Dublin	sun 21
Dubrovnik	fair 19
Edinburgh	fair 18
Faro	fair 22
Frankfurt	sun 24
Geneva	sun 23
Gibraltar	fair 20
Glasgow	fair 18
Hamburg	fair 21
Helsinki	shower 14
Hong Kong	fair 28
Honolulu	fair 30
Istanbul	shower 15
Jakarta	fair 32
Jersey	sun 19
Karachi	fair 34
Kuwait	sun 34
L. Angeles	sun 26
Las Palmas	fair 24
Lima	fair 24
Lisbon	fair 24
London	sun 25
Lux.bourg	sun 22
Lyon	sun 25
Madeira	fair 20
Madrid	sun 27
Majorca	sun 21
Malta	fair 19
Manchester	sun 23
Manila	fair 34
Melbourne	shower 27
Mexico City	fair 29
Miami	fair 31
Milan	sun 20
Montreal	fair 13
Moscow	shower 15
Munich	sun 22
Nairobi	cloudy 25
Naples	fair 21
Nassau	fair 30
New York	fair 19
Nice	sun 22
Nicosia	fair 21
Oslo	cloudy 18
Paris	sun 24
Perth	shower 20
Prague	fair 21
Rangoon	sun 35
Reykjavik	fair 8
Rio	fair 27
Rome	sun 22
S. Frsco	fair 22
Seoul	cloudy 24
Singapore	fair 33
Stockholm	fair 18
Strasbourg	sun 23
Sydney	fair 24
Tangier	fair 26
Tel Aviv	fair 31
Tokyo	fair 24
Toronto	fair 13
Vancouver	cloudy 16
Venice	sun 20
Vienna	fair 19
Warsaw	fair 18
Washington	sun 22
Wellington	sun 15
Winnipeg	fair 10
Zurich	sun 19

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FINANCIAL TIMES SURVEY

ACCESSING US CAPITAL MARKETS

Americans have more money to save and are more worried about saving. The result is a timely balance between demand for capital and supply of funds, writes **Tracy Corrigan**

Pot of money for foreign issuers

In recent years, the vast flow of money into mutual funds and other savings by America's retirement-minded baby-boomers has proved a potent engine of economic growth. In the domestic economy it has helped provide America's burgeoning high-tech industry on the West Coast with easy access to cheap financing. And, more recently, as US assets began to look expensive, American investors have started to provide a substantial amount of financing for foreign companies.

In 1996, foreign borrowers raised $463bn in the US domestic bond market, while foreign initial public offerings (IPOs) and secondary equity offerings in the US market totalled $18bn, according to Securities Data, which tracks securities offerings.

The trend is the result of a timely balance between demand for capital and supply of funds. On the supply side, Americans have more money to save and are more worried about saving than ever before. And the US is by far the largest homogeneous pool of investors in the world.

Historically, though, US investors have been rather parochial. While UK pension funds have a long, colonially-inspired history of overseas investment, US investors have been extremely cautious about currency risk. Instead they have preferred to diversify by taking additional credit risk – a boon to growing companies in the domestic economy, which have benefited from cheaper financing as a result.

The aversion to currency risk has diminished, thanks in part to the availability of derivatives to hedge exposure. But many investors still prefer to buy foreign securities denominated in dollars.

"The largest group of buyers is mutual funds, and many of them aren't allowed to buy foreign-currency denominated securities," notes Mr Ted Virtue, head of global finance at Bankers Trust.

In fact, many products are structured so that they can be offered as dollar-denominated investments. In the yankee bond market for foreign issuers, many borrowers raise bonds in dollars, then swap them back into the currency they need. But as companies grow and become increasingly international, they may in fact need dollar debt to match their revenues.

Similarly, many equity investors prefer to hold American depositary receipts (ADRs), which are denominated in dollars, rather than ordinary shares denominated in the company's domestic currency. Another advantage of ADRs is that they can be traded through the US settlements system, the Depository Trust Corporation. Fund managers thus avoid dealing with the complexities of foreign settlement systems, which may also, in the case of some emerging markets, be unreliable.

The other half of the demand/supply equation is the increasing number of foreign companies in search of new sources of capital. Economies in the emerging markets have expanded rapidly, and for the most part the development of domestic capital markets has not kept pace. Even in some highly-developed European countries, such as Germany, the stock market is immature, and it is hard for companies to raise substantial amounts of equity capital.

As European governments have privatised large public sector businesses such as utilities, they have sought US investors' participation, sometimes by choice, as a means of securing better pricing, and sometimes by necessity, because the domestic market would have been unable to absorb very large equity transactions.

For example, the largest IPO of 1996 was the German government's sale of Deutsche Telekom shares, raising $1.6bn from US investors of the total $13.5bn international deal.

Companies in emerging markets are in even greater need of foreign financing. In the former Soviet Union and much of eastern Europe for example, there is little in the way of commercial banking infrastructure to provide basic bank financing, let alone bonds or equities.

This has meant that the US market has been in some cases a vital port of call to some companies, such as Russia's largest provider of cellular communications, Vimpelcom, which last year became the first Russian company to get a listing on the New York Stock Exchange.

The attraction of American capital has made foreign companies increasingly willing to meet US regulatory requirements, which are usually stricter than those in their own domestic markets. This has been an insuperable barrier to many companies in the past, but a growing number have overcome their reluctance to undergo the painstaking and sometimes costly process of registering with the US Securities & Exchange Commission (SEC). To some degree, the gradual shift towards greater disclosure in other markets has narrowed the gap. But more important, more companies have found that complying with stricter accounting and disclosure ultimately helps reduce financing costs by attracting more investors, not only in the US but internationally. "The [listing] standards are part of the franchise," according to Mr Georges Ugeux, group executive vice-president, in charge of the international side of the business at the New York Stock Exchange.

Foreign issuers these days have an increasingly diverse range of options when they come to the US market. For example, Lukoil, the oil giant, in April became the first Russian company to launch a global convertible bond offering, placed partly in the US market – a trend which could catch on, according to some investment bankers, who say that investors interested in equity exposure may like the greater safety of the bond structure.

The development of the market has also allowed an increasingly broad range of companies to gain access. In the bond market, the low interest rate environment and tight spreads in the US market have encouraged investors to buy lower-rated foreign credits. A market for sub-investment grade foreign borrowers has started to develop.

"Traditionally in these [domestic] markets, companies have had sometimes no access to capital at all, or have been limited to bank debt and or equity. As the high yield market in the US opens up to provide long-term capital, you will see an abundance of deals," said Mr Virtue.

The pool of capital outside the US is also set to expand, since, over time, mutual funds and pension funds will develop in these local markets, says Mr Virtue. This will further improve access to capital for the companies concerned, but US investors will also be well placed to benefit, because broader demand should help boost prices. However, until that happens companies without a developed domestic investor base can face exaggerated volatility in the trading of their securities. This is because foreign investors tend to bail out en masse when the going gets tough – as Mexican companies found at the time of the peso crisis two years ago.

The flow of plentiful US capital is finding its way into an increasingly broad array of financings which once fell below the radar of all but the most specialist firms. One example is project finance, which "used to be a small, speciality business without any global significance", according to Mr Peter Luchetti, global head of project finance at Bank of America, but has recently become a more mainstream, international investment.

Most project finance is still arranged and syndicated purely by banks, but the model is changing. There is now some interest among US institutional investors. "The investor side is developing quite rapidly," said Mr Luchetti, though it is still "nascent". However, on some financings, one tranche is placed with institutional investors, usually structured as a private placement.

These deals, which have a more complex structure than traditional private placements, generally attract a smaller, more specialist audience than traditional private placements, but have been welcomed by investors. "The US buyer wants a diversity of credit and structure," said Mr Bill Batty, head of yankee new issues at CS First Boston.

"We work to optimise the cost of capital for our clients," observes Mr Luchetti, adding that project finance borrowers generally "get a longer maturity by going to the bond market".

IN THIS SURVEY

AMERICAN DEPOSITARY RECEIPTS • by Laurie Morse

ADRs get a warm embrace

Privatisations in Europe and Latin America are driving the programmes

The US capital market's appetite for yield and diversification helped drive American depositary receipt (ADR) trading to a record in 1996, with turnover valued at $345bn. Investors also embraced a flood of new ADR issues last year as confidence in emerging economies rebounded after a wobbly 1995.

Non-US companies raised $19.5bn in new ADR offerings in 1996, a 71 per cent increase in dollar volume over 1995, and very near the record $20bn set in 1994. The soaring US stock market and the rush of money into mutual funds in the US created ideal conditions for non-US companies seeking equity capital from US-dollar-oriented investors.

"A lot of the ADR surge last year was driven by growing interest in cross-border investing," said Mr Kenneth Lopian, senior vice-president in charge of the Bank of New York's depositary receipt division. "US stocks were perceived as overvalued, and money managers were looking for diversification."

On the issuance side, investment banks that administer ADR programmes say that privatisation of state-owned companies in Europe and Latin America is the biggest force driving depositary receipt programmes. Governments have sold nearly $370bn in state-owned assets to the private sector since 1991, and the pace of the privatisations is becoming more rapid.

Last year privatisations accounted for about $5.7bn in depositary receipt sales. The year's largest capital-raising project, the privatisation of Deutsche Telekom, the German telecommunications giant, included a $1.1bn issue of ADRs traded on the New York Stock Exchange (NYSE).

Global telecommunications sell-offs are continuing, with VSNL, the Indian telecoms company, comprising the biggest ADR issue in this year's first quarter, raising $447m in March. Citibank expects five big telecoms offerings in 1997-1998, including France's France Télécom (expected to raise between $6bn and $10bn); Italy's Stet, Australia's Telestra, Japan's NTT, and the Netherlands' KPN. Only the KPN offering is expected to be valued at less than $6bn.

While ADRs were created decades ago, they have been at their most buoyant in the past five years. Mr Richard Grasso, president of the NYSE, recently described the confluence of the internationalisation of US equity portfolios with the surge in foreign equity issuance as one of the most fundamental shifts in global market structure since the industrial revolution.

ADRs represent shares of foreign companies held on deposit in the issuer's home market. They are quoted in US dollars, clear and settle like US shares, and can trade freely on US exchanges. In most cases companies issuing ADRs must register with the Securities and Exchange Commission and provide annual reports written in English.

As such, ADRs are far often easier for US investors to evaluate and trade than the same shares traded in the issuer's home stock market. For issuers, an ADR listing on a US stock exchange provides prestige and visibility as well as access to capital.

"For many of these companies, the US represents a huge market for products and services, as well as capital, and a US listing keeps their name in the public eye," said Mr Carl Kester, a finance professor at Harvard Business School.

An ADR listing, however, does not guarantee the investment quality of an issue. Retail investors, which are the fastest growing segment of ADR buyers, should "make sure their eyes are wide open", when buying depositary receipts of companies where the integrity of the share transfer process and legal certainty in the home country are questionable, said Mr James Donovan, managing director, depositary receipt services for Citibank globally.

In Russia, for example, Citibank has taken a cautious view of backing ADRs because the legal and share transfer environment remains risky. "Citibank is committed to Russia, but not for this product," Mr Donovan said.

Quality is an important factor in maintaining investor confidence, particularly for retail buyers.

"Some depositary banks are bringing in issues that shouldn't be here," Mr Donovan said. "That doesn't help the marketplace over the long run."

That caution is noticeable now that ADR issuance is increasingly an emerging market business. Last year new ADR programmes from emerging markets accounted for half of new ADR issues and slightly more than half of the capital raised from all issues.

Some ADRs, such as Telemex, Mexico's telephone company, and its Brazilian counterpart, Telebras, are more actively traded in the US than in their home countries. Indeed, telecom ADRs frequently top the most-active trading list at the NYSE.

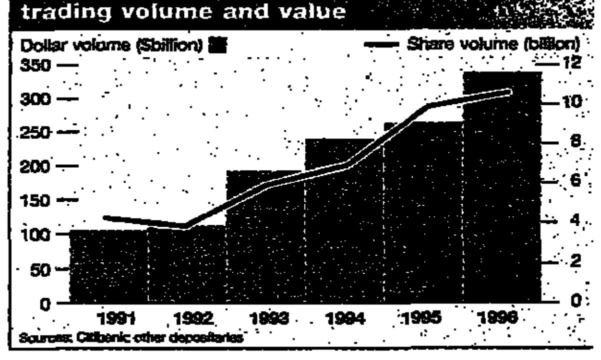
Non-US companies in rapidly growing industries can have capital demands that far outstrip the availability of financing in their home countries, analysts say. ADRs and their global counterparts, global depositary receipts (GDRs), give the companies access to a broader capital base.

On the buy side there are plenty of US money managers seeking companies in industries abroad that are growing faster than the same industry in the US. Banking and technology, along with telecoms, are sectors that have developed popular ADR programmes.

Looking forward, more and more companies may choose direct listings on the NYSE and other US stock exchanges, rather than using depositary receipts, particularly as the exchanges pursue a strategy of listing foreign-based companies' shares in currencies other than the US dollar.

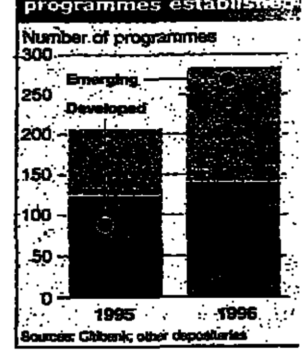
Mr Grasso of the NYSE sees parallel markets. "I think the retail investor here in the US will always want the ADR. The institutional investor has already indicated, through tapping the home markets of non-US issuers, the capacity to accept the difficulties in transfer and dealing in local currencies."

Total depositary receipts trading volume and value



Sources: Citibank; other depositaries

Depositary receipts programmes established



Sources: Citibank; other depositaries

Top 20 listed DR programmes* 1992-1996

Issuer	Country	Depositary	Aggregate value of trading 1992 - 1996 $bn
Telefonos de Mexico S.A. de C.V.	Mexico	Morgan	175.4
Royal Dutch Petroleum Company N.V.**	Neths	Morgan	108.5
British Petroleum Co. plc	UK	Morgan	56.8
LM Ericsson Thiephone Co.	Sweden	Citibank	53.2
Glaxo Wellcome plc	UK	BoNY	45.9
Hanson plc	UK	Citibank	37.3
Unilever NV**	Neths	Morgan	34.6
Vodafone Group plc	UK	BoNY	29.7
Telecomunicacoes Brasileiras S.A. (Telebras)	Brazil	BoNY	28.9
Reuters Holdings plc	UK	Morgan	28.5
Nokia Corporation	Finland	Citibank	27.4
YPF Sociedad Anonima	Argentina	BoNY	22.8
Grupo Thievisa, SA. de C.V	Mexico	Citibank	19.9
Philips N.V**	Neths	Citibank	16.3
The News Corporation Limited	Australia	Citibank	16.1
Compania de Telecomunicaiones de Chile S.A. (CTC)	Chile	Citibank	15.7
Teva Pharmaceutical Industries Ltd.	Israel	BoNY	15.2
Telefonica Nacional de Espana SA.	Spain	Citibank	13.5
Telefonica de Argentina S.A.	Argentina	Citibank	13.2
Repsol, S.A	Spain	BoNY	12.7
Total top 20 programmes			771.9
Total all programmes			1,163.4

Value of top 20 DR programmes represents 66% of all DR programmes * Based on aggregate $ value of trading ** New York Registry share programme. Source: Citibank

EQUITIES • by Michael Lindemann

Tasty morsels for a ravenous appetite

The US remains the single biggest destination for European stock offers this year

A cursory glance at any data showing US demand for foreign equity indicates that 1996 was a bumper year, almost twice as big as the previous year.

Given the success, investment bankers, investors and, most important, many European companies are asking themselves whether 1997 will be as good.

Companies ranging from France Télécom, the state-owned French telecoms group, to Repsol, the Spanish oil and gas company, are heading for initial public offerings of shares or other forms of equity placement. France Télécom, probably Europe's biggest initial public offering (IPO) this year, hopes to raise up to FFr50bn.

Much of the European stock will be placed in the companies' home markets but the US remains the single biggest international destination for such issues. According to Salomon Brothers, the US investment bank, between 20 and 30 per cent of European privatisations are targeted at US investors.

How then are they likely to react?

The recent US rates rise will have tempered enthusiasm for the equity markets and there is still plenty of anxiety that equity markets could be heading for a correction which is more dramatic than that seen so far this year.

"We all recognise that there is an increased level of anxiety out there in the markets," says Mr James Knowles, an executive director at Morgan Stanley, the US investment bank.

But that "anxiety" will not necessarily translate into less demand from US investors, Mr Knowles says. "It means that the opportunities will be more mainstream, more liquid and less boutique."

The most useful measure for trying to gauge the US appetite for foreign equity are the mutual fund flows, Mr Knowles says, and data suggests they are at "relatively high levels" despite the recent rates cut.

For the week ending April 16, the mutual funds had total assets worth $1,250bn. Of that $170bn was invested in international funds and there had been net inflows during the week of $710m.

Evidence that the funds have held up reasonably well is provided by figures for the week ending February 19, two months earlier. At the time mutual funds' assets stood at $1,300bn, with $171bn held in international funds and net inflows of $1.21bn.

Given that several strategists at investment banks such as Morgan Stanley are recommending a switch out of US equities and more exposure to European and Asian stock, bankers suggest that much of the US demand will be determined by the supply of primary European equity.

The prospects are good. While 1996 was also a bumper year, dominated by Deutsche Telekom's IPO, a raft of issues from western Europe, including Spain Telefonica, Italy's ENI and Greece's OTE telecoms group will ensure that investors will be spoilt for choice.

"Primary equity volumes in 1997 should outstrip the quantity in 1996," according to a banker at Salomon Brothers.

For political reasons, moreover, the supply of equity will be almost unlimited, bankers say.

Several western European governments are determined to meet the Maastricht criteria for a single European currency. In theory they are forbidden from using privatisation revenues to reduce their budget deficits but the dash to fulfil the Maastricht criteria means that privatisations will be at the forefront of their minds.

The France Télécom issue, which was postponed last week for one month, neatly underlines the pressure to privatise.

"The important thing to note is that the issue has only been delayed for a month," said one investment banker. "That issue needs to go ahead."

Many of these placements come from companies such as ENI which are not newcomers to the placement process. On top of that, mechanisms such as book-building are designed to ensure that the stock is priced at a level which the market is willing to pay, lessening the risk that investment banks will be left with unsold stock.

Other bankers point out that European companies can improve the take-up from US investors by listing on the New York Stock Exchange.

Several companies, notably Deutsche Telekom last year, have recognised the advantage of a US listing, a process which is gradually becoming easier as European and US accountants struggle to harmonise their different standards.

Bankers point out that the extra demand generated by a NYSE listing depends heavily on the type of sector in which the company operates and on market dynamics at the time. One added, however, that a well-managed NYSE listing could increase US take-up by a further 10 per cent.

Investment bankers therefore are sanguine about US demand for international equities this year.

They acknowledge that cash positions have been built up in recent months, given uncertainties about the markets' directions. They insist, though, that it cannot last.

"It can only be a short-term phenomenon," one banker said. "That money has got to be invested somewhere."

Foreign IPO* and secondary equity offerings in US

Year	Proceeds ($m)	No of issues
1990	245.8	8
1991	4,596.9	29
1992	5,084.7	49
1993	9,045.2	80
1994	10,013.8	82
1995	9,395.2	85
1996	18,311.5	154

*Initial public offerings. Source: Securities Data

Public and private debt and equity issuance by non-US issuers*

	Manager	Proceeds ($m)	Market share	Number of issues
1	Merrill Lynch	23,817.7	17.1	164
2	Lehman Brothers	20,278.9	14.6	123
3	Goldman, Sachs	18,536.5	13.3	145
4	JP Morgan	15,534.1	11.2	97
5	Credit Suisse First Boston	10,196.7	7.3	139
6	Morgan Stanley	10,187.0	7.3	77
7	Salomon Brothers	9,356.9	6.7	97
8	Citicorp	3,632.0	2.6	84
9	Chase Manhattan	2,635.6	1.9	38
10	Donaldson, Lufkin & Jenrette	2,046.6	1.5	28
11	NatWest Markets	1,857.6	1.3	19
12	UBS	1,729.7	1.2	19
13	SBC Warburg	1,437.2	1.0	22
14	Nesbitt Burns Securities	1,348.8	1.0	21
15	BankAmerica	1,239.1	0.9	25
16	Smith Barney	1,048.6	0.8	9
17	Deutsche Morgan Grenfell	998.1	0.7	19
18	Bear, Stearns	956.9	0.7	10
19	Schroder Group	921.1	0.7	10
20	BZW/Barclays	906.0	0.7	13
21	ABN AMRO Hoare Govett	870.8	0.6	11
22	ING Barings	795.3	0.6	20
23	Bankers Trust	756.4	0.5	9
24	Bank of Tokyo-Mitsubishi	626.6	0.5	9
25	HSBC	584.1	0.4	5
	Top 25 totals	132,278.4	95.2	1,193
	Industry totals	138,994.2	100.0	1,275

* Includes 144a and non-144a; full credit to bookrunner. Source: Securities Data

BONDS • by Tracy Corrigan and Samer Iskandar

Yankees grab the spotlight

New borrowers are likely to be the main beneficiaries of an expanded market

The US market for public debt and private placements by foreign issuers, once a tiny adjunct of the vast US corporate bond market, has thrived in the favourable interest rate environment of the past two years.

In the first quarter of 1997, issuance in the US corporate bond market, according to Securities Data, totalled $46.1bn compared with $16.4bn in the yankee market, as the domestic market for foreign borrowers is known.

In 1996, the combined issuance of yankee bonds and foreign bonds sold in the US under Rule 144a of the Securities and Exchange Commission reached $45bn, making it the second most active year, just short of the record high set in 1993.

This growth was accompanied by changes in the type of borrower, as well as in the structure of bonds. US investors, enticed by the opportunity to pick up extra yield, became increasingly willing to tackle lesser-known foreign credits as the yield differential between conventional US corporate bonds and US treasuries narrowed dramatically.

"Investors [are] actively looking to diversify their portfolios by participating in new names," J.P. Morgan says in a recent report. The US bank also points out that debut borrowers, which raised $21.5bn last year in the US domestic market, accounted for nearly half of all issuance.

Whereas the market was dominated, in its early days, by borrowers with triple-A and double-A ratings from the large credit rating agencies, it has now shifted towards a more diversified group, with an average rating in the single-A category.

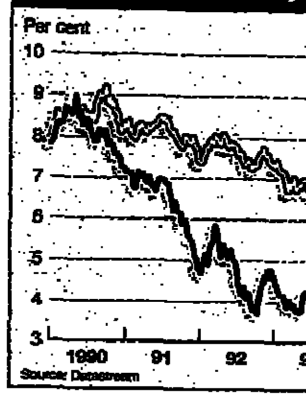
The market share of issuers from Asia has doubled in the past five years or so, to around 25 per cent of the total amount issued.

Borrowers from Australia and New Zealand, almost entirely absent a few years ago, now account for some 10 per cent of issuance. Latin American issuers account for another 10 per cent of issuance.

The strong growth in the market share of these relatively new issuers has been made almost entirely at the expense of supranational organisations and the Canadian provinces.

"These issuers are getting a better deal in terms of pricing on the eurobond market," explains one analyst. "They have strong retail appeal, because they have become household names in Europe."

Conversely, emerging market borrowers – and more generally issuers with low credit ratings – are likely to be the main beneficiaries of the yankee market's expansion. One analyst explains that this is due to US investors being more experienced than their European counterparts in valuing credit risk.



"US investors are now more comfortable investing overseas and diversifying from triple-A assets," says Mr Mark Schneider, head of J.P. Morgan's international issuers group in New York. "Like equity investors who preceded them, US bond investors are discovering the benefits of diversification."

There have also been new areas of activity. For example, some foreign borrowers have been able to raise project finance through the bond markets, as an alternative to traditional project finance through banks.

"Relative cost is an issue, but the key component is maturity," said Mr Bill Batty, head of yankee new issues at Credit Suisse First Boston.

> The market share of issuers from Asia has doubled in the past five years

He added that projects in the Philippines have been financed for 15 years and in Indonesia for 18 years – longer than they could have achieved through conventional bank financing.

In fact, the opportunity to raise long-dated financings is one of the main attractions of the US market for many foreign issuers – two-thirds of yankee bonds are 10 years or longer. This contrasts with the eurobond market, where maturities of more than 10 years constitute a tiny minority.

"In the eurobond market there is no real liquidity beyond 10 years," says one New York-based banker. "The US markets are much more at ease with bonds of 20, 30 or up to 100 years' maturity."

Issuers of so-called "century bonds" now include emerging market borrowers such as Reliance Industries, the Indian conglomerate, and Endesa, the Chilean utility.

The US bond market for foreign issuers is split into two sectors. One is the public yankee market for borrowers registered with the US Securities and Exchange Commission (SEC). This process requires a substantially greater level of disclosure than that required by the domestic jurisdiction of many borrowers.

In the early days of the market, most bonds were yankees issued by sovereign and supranational borrowers or Canadian provinces. But in 1990, the SEC realised that the stringent requirements were causing corporate issuers to turn to other markets, such as eurobonds. It then introduced Rule 144a, allowing non-US companies to issue debt (or equity) in the US market without registering it.

The paper had to be sold to qualified institutional buyers (Qibs), large investors who were supposed to be sophisticated enough to assess the risk involved, and who were then able to trade the paper with other Qibs in the secondary market. And, after two years, unregistered securities could be sold in the public market.

For the first few years of its existence, the 144a market grew in fits and starts, but in the first quarter of 1997 around a third of all foreign deals in the US were 144a deals. The sector was the only part of the US domestic market which grew – by a substantial 62 per cent to $5.6bn, while public yankee issuance shrank by 33 per cent. And in the first quarter, the proportion of sovereign and state borrowers shrank to 30 per cent from 40 per cent a year before.

There has also been a shift in the geographical split. "In the first quarter, Europe comprised the largest group of borrowers for the first time in history," said CSFB's Mr Batty, who expects issuance from Europe to grow repidly as more central and eastern European borrowers seek funding in the US.

The other significant development in the yankee market has been the emergence of a high-yield sector which accounted for around a quarter of total issuance in the first quarter of 1997, compared with 13 per cent for the same period of 1996.

"With spreads having tightened considerably over the past year or two, investors are increasingly seeking out higher yield product and are willing to travel down the credit curve," said Mr Mark Seigel, a managing director at Morgan Stanley.

"If you are performance-orientated, you are motivated to find out where Slovakia is," quips Mr Batty.

So far, despite the recent widening in spreads due to market conditions, the shift has generally proved rewarding. Mexico's $1bn five-year deal launched in January 1996 at a yield spread of 445 basis points over the comparable US Treasury, had tightened to 169 basis points by mid April, according to CSFB. Deals launched more recently have fared less well. Colombia's 10-year deal launched in February at 130 basis points over Treasuries was trading at 180 basis points by mid-April.

Given the growth of the 144a market, the universe of investors is no longer the restricted area it once was. Essentially, around 600 large buyers control the market, according to specialists. This means that the market can absorb large deals, such as a recent $1.9bn offering by Petronas, the Malaysian oil company.

Mr Batty estimates that only around 15 per cent of investors in the yankee market are excluded by a 144a structure. "It's really the same investor base," concurs Mr Seigel.

Although on an individual deal the cost savings from a public issue may not be significant – especially once the cost of disclosure and filings have been taken into account – for borrowers who plan to develop their profile in the US market, perhaps issuing stock as well as bonds, the effort is increasingly seen as worthwhile. Investors still like the reassurance provided by the obligation under SEC registration rules to keep investors abreast of developments with regular filings.

"It's a ladder," said one investment banker of the market for foreign financing. "They start at the bottom, with high-yield 144a deals, and work their way up."

Foreign companies' US presence also manifests itself in other ways. For example, reducing currency risk is often a priority for companies operating in several countries. And bond issuance is sometimes used as a tool for managing balance sheet risk. By taking on a dollar-denominated liability (issuing US bonds) companies whose main accounting base is a non-dollar currency reduce the volatility of their dollar-denominated assets (US-based plants, property and revenues).

However, there are signs that the environment is becoming less favourable. In the first quarter of 1997, when the US Federal Reserve raised interest rates for the first time in two years, issuance of US corporate bonds was 5 per cent down on the same quarter the previous year, while yankee issuance was 8 per cent lower.

The rise in bond yields in the first quarter has also been accompanied by wider spreads relative to the US Treasury market, forcing foreign borrowers to pay more to raise financing. However, the new issues market has remained active throughout recent market volatility.

Even if market conditions worsen, such problems would probably cause no more than a temporary glitch in a longer-term trend.

Rule 144a yankee debt issuance

Year	Proceeds ($m)	No of issues
1990	693.0	9
1991	8,466.0	188
1992	12,150.9	310
1993	26,898.6	516
1994	18,044.8	304
1995	20,398.1	274
1996	32,180.1	441

Source: Securities Data

US public debt - yankee issues

Year	Proceeds ($m)	No of issues
1990	16,539.5	101
1991	31,851.4	243
1992	41,254.5	195
1993	58,449.9	269
1994	46,642.2	268
1995	48,576.7	275
1996	90,958.9	546

Source: Securities Data

PROFILE NatWest

Capital return

European banks are likely to become increasingly active in the yankee bond market as they seek to raise their capital ratios for regulatory purposes. National Westminster Bank did just that on April 17, 1997, after a six-year absence from the US domestic market.

The bank offered US investors $500m of perpetual bonds, with a coupon of 7.75 per cent for the first 10 years. After this period, the borrower can choose to redeem the bonds, or raise the coupon.

The issue was described as highly successful by its lead manager, J.P. Morgan.

In December 1996, NatWest launched £300m of eurobonds with a similar structure. Although the sterling issue was also a "callable/step-up" deal, it differed from its yankee counterpart by having a fixed maturity in 2011. In technical terms, the perpetual bonds count as upper Tier II capital, while the fixed maturity qualifies the funds as lower Tier II.

"The US market is more at ease with complicated structures," said Ms Emily Gestetner, from the asset and liability management team at NatWest in London. "But the eurobond market is increasingly accepting them."

Primary market liquidity – investors' ability to absorb large amounts of new securities – is another main advantage in the US. "The yankee market can usually absorb larger amounts than the eurobond market," said a syndicate official at a US bank.

In NatWest's eyes, however, liquidity seems to have been the determining factor. "We could have done a similar [perpetual] transaction in sterling," Ms Gestetner says. "But given existing market conditions we probably would have paid a slight premium over that which we achieved in the US."

However, costs are not invariably lower in the US. NatWest points out that yield spreads over benchmark government bonds change during the interest rate cycle.

Samer Iskandar

STOCK EXCHANGES • by Tracy Corrigan

Daunting price but high rewards

A listing provides seal of legitimacy, as well as making it easier to trade shares

When foreign companies want to broaden their equity base by attracting US investors, the first step is frequently to set up an ADR (American depositary receipts) programme through a bank. The next logical stage is to list these ADRs, or actual shares, on one of the main US exchanges – a step which opens up a bigger market for the company's equity. Around 1,000 foreign companies have ADRs, but only a few hundred are listed.

The main reason is that the listing requirements of US exchanges can be daunting. For years, many companies simply ruled out the option of a US stock listing because they did not want to comply with strict accounting and disclosure requirements. But the cost of a US listing also carries rewards: for US investors, a listing provides a seal of legitimacy, as well as making it easier to trade shares.

The increasing willingness of foreign companies to pay this price has provided a lucrative source of new business for the three New York markets – the New York Stock Exchange, the world's largest stock exchange which now lists nearly 300 foreign stocks; the Nasdaq market, which accepts smaller companies than the NYSE and is strongly associated with technology stocks; and the American Stock Exchange, which has lagged behind the other two, and lists only 60 non-US stocks, of which 40 are Canadian.

Under US rules, foreign companies' accounts have to comply with US accounting rules, known as GAAP (Generally Accepted Accounting Principles) before the company can be listed on a US exchange. "It's burdensome and unfortunately at this stage necessary," says Mr Georges Ugeux, group vice-president in charge of the international side of the business at the NYSE.

However, the NYSE and others have been active in promoting efforts to create international accounting standards. But such rules, which the International Accounting Standards Committee hopes to have in place by a 1997 deadline, would then have to be accepted by the Securities and Exchange Commission (SEC), before the path to the US market would be widened. Partly in anticipation, some European companies – particularly in countries such as Switzerland where the accounts are traditionally viewed by foreign investors with some suspicion – have already abandoned national in favour of international standards.

But the attitude to foreign accounting methods among US investors has if anything hardened, following Daimler-Benz's arrival on the US scene in 1993, when it came to the New York Stock Exchange, and had to translate a profit under German accounting rules into a loss under GAAP.

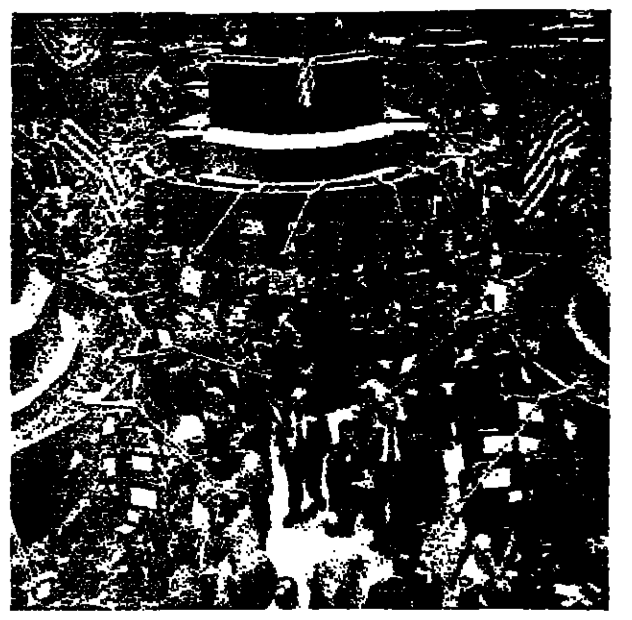
And the SEC is adamant that it will not weaken its own standards just to facilitate internationalisation – although the head of the SEC, Mr Arthur Levitt, is widely viewed as having taken a more pro-active role in promoting the US marketplace.

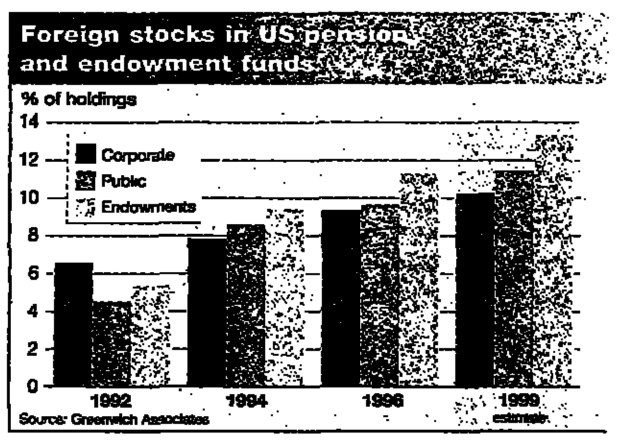
The other US requirement that some foreign companies balk at is disclosure. Companies listed on US exchanges are required to make regular filings with the SEC – a practice which some traditionally secretive companies are loth to adopt. "Some of them take a very nationalistic approach about the whole thing. The attitude is: if it's good enough for shareholders in the domestic market, why isn't it good enough for Americans?" And foreign companies have come under fire from the SEC for failing to warn investors when things went wrong.

Still, according to the exchanges concerned, companies are becoming increasingly willing to go through the hoops to gain access to the world's biggest pool of equity investors.

In fact, the strict listing requirements are "a very strong selling point for the NYSE," says Mr Ugeux. "You can't have your cake and eat it, if you want to be part of a group of companies that have transparency, depth of information, and have that quality label. It's an investment that companies find worthwile."

Investors "will ultimately pay more if they are totally comfortable with disclosure", said Mr Alfred Berkeley, president of Nasdaq, who adds that most small entrepreneurial companies are perfectly willing to disclose, while larger, more established companies may be more reluctant. "All these markets are improved" by the greater transparency of information, says Mr Berkeley


The New York Stock Exchange now lists nearly 300 foreign stocks



The strategies of the competing US markets generally reflect their strengths in the domestic market.

"What we are doing to attract listings is to be ourselves," says Mr Berkeley. "We have this remarkable characteristic of attracting growth companies."

In strict US parlance, Nasdaq is called a market, rather than an exchange because of the different way that trading is conducted. Another attraction for some companies according to Mr Berkeley, is the low translation costs.

Nasdaq also charges less than the NYSE for listing – though Mr Berkeley says that "price isn't the determining factor" for companies. "We happen to have a Walmart pricing strategy because we have such scale [it lists lots of smaller companies] but no chief executive officer is going to decide where to list solely because of price."

All the exchanges claim to help develop the listing company's US investor base. Nasdaq says that "most of technology stocks that come to the Nasdaq are of interest to technology specialists", its own area of expertise.

Amex is strong in natural resources and healthcare stocks, and again emphasises links to investors.

"Our approach has been to emphasise the services and support for companies that we provide here," says Mr Ron Corwin, executive vice-president of Amex. "Basically, the centre of the Amex programme is to help [companies] tell their story to the street, to help them understand and develop their US investor base."

A listing on the NYSE, the world's largest exchange "has a lot of the elements of a brand," says Mr Ugeux. "We are trying to help companies, by co-branding with them, to use the listing as a platform for their approach to investors."

The intensive effort to win business is a symptom of the growth of this part of the market – a record 59 non-US companies listed on the NYSE last year for example.

One reason is that there is a growing recognition that the move towards a more international system – in trading, in accounting, and in investment – is already under way. "The attitude, increasingly, is whether we do it now or in three years. We are going to be doing it at some point," said one exchange official.

"Companies are drawn towards the tremendous pools of capital," says Mr Corwin, "but there is no question but that the reporting requirement is perceived as onerous."

Mr Berkeley said that he expects to see "a tidal wave of transnational listings not only in the US markets but in all markets."

EMERGING MARKETS • by Richard Lapper

Hunt for higher yields likely to continue

US fund managers have driven the market for emerging market issues

The hunt for higher yields over the past two years and a gradual improvement in the credit quality of many developing countries are leading more US fund managers to buy Brady bonds and other emerging market debt. Despite the rise in US short-term interest rates in March – and the prospect of further rises to come later this year – the trend seems likely to continue.

US insurance companies, money and pension fund managers are among the mainstream groups now playing a bigger role. Dedicated high yield funds, which previously would have bought only speculative grade corporate bonds, are now also snapping up Bradys and other emerging market issues.

Dealers say that investors who have no expertise in emerging markets but who buy when opportunities arise – so-called "cross-over buyers" – have recently accounted for as much as 25 per cent of the demand for emerging market debt, up from levels of only 3 to 4 per cent 18 months ago. "This market used to be about Swiss and offshore Latin American money but US fund managers have really driven the market since 1993," says Mr Jonathan Brown, a eurobond syndicate manager with Deutsche Morgan Grenfell in London.

A steady improvement in the credit quality of many emerging markets has made it easier for mainstream investors to buy their debt. According to a recent study by Union Bank of Switzerland, 22 of the 50 biggest emerging markets are now rated investment grade by Standard and Poor's and Moody's, the two biggest international credit rating agencies. Two other countries have an investment grade rating from one of these two agencies.

As a result both issuance and trading levels touched their highest ever levels last year. In 1996, net issuance of international bonds – gross issuance less redemptions – from these countries rose to \$83.2bn, compared with \$28.3bn in 1995 and \$30.9bn in 1994, according to figures published by the Bank for International Settlements.

Data produced by Capital Data, a London-based information service, shows that the trend continued in the first quarter of 1997, with issuers from the emerging markets raising \$28.8bn compared with \$20.6bn in the same period of 1996.

In mid-April, Ecuador launched its first eurobond, selling more than half the paper to US investors. More established emerging market borrowers are raising money

■ See table page 5

in different currencies and at longer maturities. Also in April, Mexico, for example, issued a 20-year bond denominated in lire, as part of its strategy to develop a yield curve in that currency.

Interest in the secondary debt markets has also surged. The number of transactions of emerging market debt paper more than doubled to \$5,297bn in 1996, according to the Emerging Market Traders' Association (EMTA), a New York-based association which has prepared standard documentation and helped to streamline trading. Since 1992, volumes have increased more than sevenfold. About half of the debt instruments traded are the Brady bonds issued by more than a dozen mainly Latin American and eastern European countries in exchange for distressed commercial loans.

The beginning of screen listings in 1992 and the introduction of fully-fledged electronic trading in 1995 have increased the efficiency of the market. At the same time the participation of bigger investors has led to a sizeable increase in the average size of deals. Traders say that deals in the secondary market average between \$10m to \$20m in size, more than 10 times bigger than deal sizes in the emerging equity markets.

Investor demand also helped underpin strong price performance last year and although prices have drifted lower since the New York Federal Reserve Bank moved to tighten US monetary policy in March, the decline has been far less marked than in 1994, the previous occasion when the Fed began its tightening cycle. According to the index constructed by J.P. Morgan, the US bank, between March 26 and April 21, 1997, total returns from emerging market bonds have dropped by about 3¼ per cent in the month since the rise in the Fed's funds rate. By contrast, in the first month after rates were increased in 1994, total returns dropped by nearly 10 per cent.

Dealers say that mainstream investors have tended to move into shorter term or more liquid emerging market assets rather than dumping all their holdings of emerging market bonds as they did in 1994. Ms Ingrid Iversen, debt strategist with UBS in New York, says debt markets that are more liquid, such as Mexico and Argentina, have been less badly affected than markets such as Nigeria, Ecuador and Bulgaria.

"Liquidity is the overriding concern in this market. Investors prefer core countries," Ms Iversen says, describing the trend as a "flight to quality". In addition, investors have tended to favour shorter-dated emerging market bonds over longer-dated paper. This steepens the emerging debt market yield curve and is particularly evident in the euromarket, where outstanding long-dated issues of Mexican, Argentine and Colombian bonds have underperformed those of a shorter maturity.

CORPORATE GOVERNANCE • by Laurie Morse

Shareholders sharpen claws

Investors are becoming more activist and have pulled off coups in US boardrooms

US shareholders are far more interventionist than most. Public pension funds, in particular, hunt for underperforming managements and cosy boards of directors, draw up "hit" lists, and press, sometimes very publicly, for reforms. It is not clear that such activism boosts returns. However, in the US it has improved the flow of information between management and shareholders, and given investors a greater say in company policies.

Shareholder activism, for example, failed to stop a \$128m parting gift to Mr Michael Ovitz, who had served as Walt Disney's president for just one year. However, institutional shareholders have managed a remarkable number of coups in US boardrooms, ousting lacklustre management at a host of top corporations such as IBM, Eastman Kodak, and American Express in the past decade.

Now some of the most prominent US pension fund activists are sharpening their governance models for application overseas. Their initial goals are generally modest and, depending on the venue, realistic. "In Russia, for example, finding out when an annual meeting is scheduled is a big step," says Mr James Kroll, director of global research for Maryland-based Institutional Shareholder Services. "In some countries, the smallest things make us happy."

In emerging economies, Mr Kroll says, activist investors primarily are seeking more disclosure from companies. "The more you know about a company and how it is managed, the more impact an investor can have," he said.

The movement toward American depositary receipt (ADR) issuance for a number of Latin American companies has done worlds of good for US investors seeking exposure in that market, pension fund managers say. As companies comply with ADR listing requirements, disclosure comes closer to US standards.

In addition to better disclosure, or transparency, corporate governance committees on investment boards look for management and directors that are accountable to shareholders for corporate performance; directors that are independent from management; equity in shareholder treatment; codes of best practices; and some public statement of management's long-term vision.

It is in developed economies that US pension funds and other institutional investors are hitting hardest at corporate governance issues. As pension funds diversify their investment portfolios overseas, they find themselves as minority shareholders in governance climates very different from that in the US.

Calpers top holdings of UK and French companies*

	Shares held	Market value of holdings** (\$m)
United Kingdom		
British Petroleum	15.5m	183.3
Glaxo Wellcome	9.8m	156.2
Shell Transport and Trading	7.9m	136.5
British Telecom	18.7m	128.0
Lloyds TSB	16.4m	126.6
France		
Elf Aquitaine	713,036	69.2
LVMH Moët Hennessy	270,311	68.4
Total	791,228	68.1
L'Oréal	185,965	65.9
Eaux	500,438	64.1

*Calpers = California Public Employees' Retirement System; **As of January 31, 1997. Source: Calpers

The California Public Employees' Retirement System (Calpers) an activist pension fund with more than \$110bn under management, is a good example. Three years ago, Calpers had just 12 per cent of its funds invested in non-US equities. Today, that percentage is nearly 20 per cent and growing.

"Calpers is a long-term investor well-known in the US as an active shareholder," said Mr Brad Pacheco, a spokesman for the pension fund. "Our board has determined that we should assess not just investments, but corporate governance practices in the companies we own."

For a start, Calpers has issued a list of global governance principles, and in March adopted more specific governance recommendations for the UK and for France. The pension fund is expected to release governance principles for Germany and Japan later this year. The principles are general, and aim to incorporate the ideas of home-grown governance committees such as the Cadbury Code and Greenbury Report in the UK, and the Vienot Report in France.

"I think some shareholders are disappointed that we haven't drawn up a list of underperforming companies in these countries, like we have in the US," said Mr Pacheco. However, he said Calpers wanted to be sure there was a consensus on governance standards before going forward with more activist measures. "In a year or two you may find us targeting [companies in the UK and France]," he said.

French companies, in particular, have been viewed as stubborn in recognising the rights of public shareholders. In the past, poorly-run French companies relied on the state to bail them out. Now, because such rescues are less palatable politically, French companies must rely more on outside investment capital.

Enjoying that capital, according to one Calpers report, depends on the assurance that minority shareholders will be treated equitably. "While a board may decide it has the legal right to ignore certain shareholder requests for information and dialogue, doing so may lead investors, at least international investors, to decide to seek other markets," the report observes.

The pension fund argues that if French corporate directors wait until international capital begins to disappear before making reforms, it may be too late.

Calpers would like to see the Paris bourse have a listing requirement that discloses a company's compliance with the Vienot (named after Marc Vienot, chairman of Société Générale chairman, who chaired the French governance panel) guidelines or lack thereof.

It is also pressing leading French companies to eliminate cross-shareholding (where there are overlapping directors for a number of companies) and adopt measures that would confer one vote for each share owned.

In the UK, institutional investors are pushing hard to make it easier to put shareholder resolutions on company ballots. At present a resolution must be offered by a large block of shareholders to gain consideration, and shareholders in some cases must foot the bill to distribute a proposal in the UK.

Similar laws were overturned in the US a decade ago, opening the door to more direct activism.

Progess in governance reforms is likely to be slow. Pension funds, for reasons of risk and diversity, rarely become major shareholders in any one company. Despite the threats of more vocal funds such as Calpers, corporate governance issues in themselves are not enough to turn away international capital from attractive returns in growing markets, says Mr Carl Kester, a corporate governance expert at Harvard University's business school.

For one thing, pension funds have a fiduciary responsibility to their own shareholders to get the highest possible return for their capital. "In many cases, the quality of management and its responsiveness to shareholders is not a first order issue for an institutional investor," says Mr Kester. "Institutions tend to focus on regions of the globe they think offer the best returns, and then focus on companies within those regions that are the best investments. Corporate governance tends to be a second- or even third-order decision for an investment committee," he said.

INVESTORS • by Richard Waters

Demand for foreign investments may grow

The rapid growth of mutual funds has been the main driver of investment abroad

The story of the mid-1990s, for US investors at least, has not been in foreign securities.

For more than two years, it has been the US stock markets' ascent that has demanded attention. And for nearly as long, a reversal in the US currency's longer-term slide has punished holders of non-dollar assets. Hardly a friendly time, one would have thought, for foreigners to try to tap the world's biggest pool of capital.

Yet, the internationalisation of the US financial markets continues apace. It may not be the investment story that has made the headlines, but the accumulation of foreign securities – whether bought in the US or in overseas markets – remains at a historically high level.

Also, with the US expansion now long in the tooth, and Japan and continental Europe long due an economic recovery, the time would appear ripe for an increase in the flow of capital away from the US.

As in other corners of the US investment industry, it has been the rapid growth of mutual funds that has been the main driver behind the flow of money into international markets. These open-ended funds may still lag longer-established foreign investors, such as pension funds, in their weighting towards non-US assets, but the adjustment so far in the 1990s has been a notable one.

According to the Investment Companies Institute, the mutual fund trade association, the funds' share of foreign assets rose from only 2.6 per cent of their total investments in 1991 to 8 per cent at the end of January this year. That represents an increase from $36bn to $295bn.

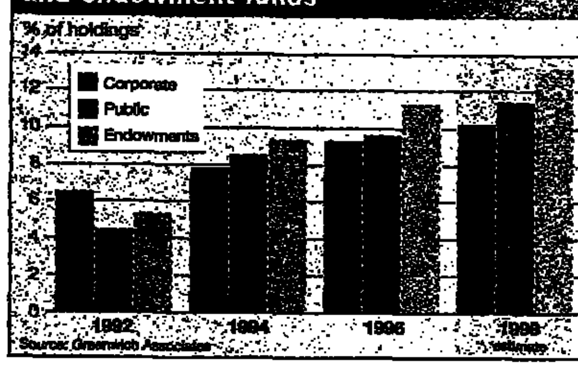
This trend will take some time to play out, says Mr Tim Ferguson, head of international equities at Putnam, which manages both mutual fund and institutional money: the international holdings of the average investor have a long way to go before they match the level of the average pension fund.

Also, he says: "This year, with [US markets] being sold off, you'd expect [mutual fund investors] to allocate more overseas."

It has not been the mutual funds alone that have driven the increased demand for foreign investments, though. According to the Securities Industry Association (SIA), US investors as a whole have continued to amass non-US equities, with a more or less steady rise in capital flows during the 1990s reaching $58bn last year, from $32bn in 1991.

Pension funds have been steady buyers. Despite the rise in the US equity markets, pension funds have taken the percentage of non-US assets in their portfolios from 6.7 per cent in 1992 to 11.4 per cent, according to Greenwich Associates, an investment research and consulting firm. Also, they expect to take it higher still, to around 12.8 per cent by 1999, Greenwich reports.

Foreign stocks in US pension and endowment funds



There is an irony in all of this, of course. The attractions of international markets were meant to be not only the virtues of diversification they offered, but also the promise of higher returns. Yet, for several years, they have failed to live up to this billing.

Pension funds typically expect their international equity holdings to return around a percentage point more than their US ones – in 1996, 10.9 per cent as against 9.9 per cent, according to research by Greenwich. In practice, international investments have disappointed for the past decade, according to Mr Charles Ellis, a Greenwich consultant.

The emerging markets have been one of the more volatile elements in this picture – and in the overall accumulation of foreign assets.

In 1993 – a year in which this suddenly became the most fashionable part of the investment business – flows into emerging market stocks topped $30bn, the SIA says. This speculative fever ebbed the next year as the US bond market collapsed, though, and the crash of the Mexican peso sent flows down below $10bn in 1995.

This experience may have left a slightly more cautious attitude, but it has hardly dulled the appetite for the emerging markets: purchases of stocks from these countries climbed back to $13bn last year, with Asia (which attracted $8bn) leading the way. Many pension funds are beginning to view these markets as a separate asset class, and most international specialists who manage money for pension funds expect to be more active in these areas in the future, says Mr John Webster of Greenwich Associates.

A sign of the US investment industry's faith in the long-term nature of flows into foreign securities can be seen in the large infrastructure that has built up to manage this money. Putnam, for instance, now has 65-70 people working on international equity investments, more than double the level of a couple of years ago, says Mr Ferguson.

"Even if it were to slow in the short term, we believe the trends will continue," he says.

Basic country indicators (1996)

	Population in millions	GDP in US $bn	Per Capita Growth US $	GDP Growth %	Foreign Debt US $bn	Foreign Debt as % of GDP (end 10/96)	Stock Market Capitalisation	Rating (S&P)	Rating (Moody's)*
Asia									
Hong Kong	6.3	158	25,101	4.3	-	-	440.1	A	A3
Singapore	3	93	30,281	6.1	-	-	186.5	AAA	Aa1
South Korea	45.2	487	10,727	6.6	125	25.8	138.8	AA-	A1
Taiwan	21.3	268	12,520	5.4	48.9	18.2	273.6	AA+	Aa3
China	1234	773	670	9.6	110	13.5	113.8	BBB	A3
India	953.2	359	384	6	95	26.5	122.6	BB+	Baa3
Indonesia	196.8	221	1,123	8	114.5	51.8	91	BBB	Baa3
Malaysia	20.2	96	4,638	8.3	47.7	51.5	307.2	A+	A1
Pakistan	134.1	65	480	6.1	30	46.3	10.6	B+	B2
Philippines	70.1	83	1,179	5.3	45	54.5	80.6	B	Ba2
Thailand	61.2	184	3,028	6.7	94.5	51.2	99.8	A	A2
Vietnam	75.5	21	277	9.3	6.4	30.6	-	-	-
Latin America									
Argentina	35	339	9,679	3.2	110	32.5	44.7	BB-	B1
Brazil	168.5	761	4,513	3	186	24.5	217.0	B+	B1
Chile	14.4	74	5,140	6.5	21.8	29.4	65.9	A-	Baa1
Colombia	35.7	87	2,432	3.0	27	31.1	17.1	BBB-	Baa3
Ecuador	11.7	19	1,595	1.8	14.6	78.2	1.9	-	-
Mexico	96.6	300	3,106	4.9	175	58.3	106.5	BB	Ba2
Panama	2.7	8	2,898	1.5	5.4	69.2	1.3	BB+	Ba1
Peru	24	62	2,587	2.4	30	48.3	13.8	-	B2
Venuzuela	22.1	64	2,881	-1.3	36	56.5	10.1	B	Ba2
Eastern Europe									
Bulgaria	9.1	11	1,244	-5.0	9.5	83.7	-	-	-
Croatia	4.8	19	3,944	5	4.5	23.9	-	BBB-	Baa3
Czech Republic	10.3	54	5,189	4.3	18	33.6	18.1	A	Baa1
Estonia	1.5	4	2,945	3.5	0.4	9.3	-	-	-
Hungary	10.2	44	4,331	1	29.5	68.7	5.3	BBB-	Baa3
Latvia	2.5	5	2,152	2.5	0.6	11.1	0.2	BBB	Ba2
Lithuania	3.7	8	2,051	3.5	1.3	17.1	0.9	-	Ba2
Poland	38.7	130	3,353	5	45	34.6	8.4	BBB-	Baa3
Romania	22.6	33	1,435	4.8	7.7	23.8	0.06	BB-	Ba3
Slovakia	5.4	19	3,505	7.0	6.5	34.0	2.2	BBB-	Baa3
Slovenia	2	17	8,572	2.5	4.4	25.6	0.7	A	A3
CIS									
Kazakhstan	16.3	22	1,397	1.0	4.6	20.2	-	BB-	Ba3
Russia	146.3	476	3,305	-6.0	115.4	23.9	37.2	BB-	Ba2
Ukraine	51.6	48	934	-5.0	11.3	23.5	-	-	-
Uzbekistan	22.9	21	914	-0.6	2.1	10	-	-	-
Southern EU countries									
Greece	10.6	121	11,624	2.2	26.7	22.1	24.2	BBB-	Baa3
Portugal	9.9	103	11,025	2.5	13.0	12.6	24.7	AA-	A1
Mediterranean and the Middle East									
Egypt	60.1	68	1,123	4.0	28.6	42.3	14.2	BBB-	Ba2
Israel	5.8	93	15,820	4.0	47.5	51.1	40.0	A-	A3
Jordan	5.8	7.2	1,678	4.1	7.1	98.9	4.5	BB-	Ba3
Morocco	27.6	39	1,407	12.0	23.4	60.3	8.7	-	-
Saudi Arabia	19	135	7,106	1.8	25.2	18.7	45.9	-	Baa3
Turkey	63.9	175	2,734	6.9	73.0	41.8	30.0	B	Ba3
Sub-Saharan Africa									
Cote D'Ivoire	14.8	10	668	6.2	20.2	203.9	0.9	-	-
Ghana	18.3	7	402	4.7	6.1	82.0	1.5	-	-
Kenya	31.5	9	290	4.8	7.9	86.6	1.8	-	-
Nigeria	108.9	28	246	3.0	38.5	135.7	3.6	-	-
South Africa	42	126	3,052	3.0	31.7	25.2	241.6	BB+	Baa3
Zimbabwe	11.3	7	617	6.5	4.4	60.5	3.6	-	-

*January 1997 — Source: World Bank, IMF, Datastream, Standard & Poor's, Moody's, UBS

GERMAN COMPANIES • by Graham Bowley

Great leap towards America

Companies are looking towards the larger US capital markets for new investment

A red carpet and whirling strobe lights illuminating the Volkswagen insignia greeted journalists arriving at the German carmaker's annual press conference in Wolfsburg, its headquarters, this month.

Like a glitzy Oscar-ceremony in Hollywood, the strange sight was doubly remarkable since it was put on by VW – a company, like so many in Germany, not famed for its public extravagances.

But the sight was a stark illustration of where the ambitions of companies such as VW are now turning. As domestic sources of new capital prove insufficient, as they face up to ever fiercer international competition and as shareholder demands become ever more exacting, German companies are beginning to look towards the larger US capital markets for the new investment they need.

To be successful, they are having to transform themselves quickly, adopting the high standards of accounting and transparency – as well as the high-profile public image – demanded by US investors.

"There has been a revolution," said Ms Julie Statham, a senior equities analyst at BZW in Frankfurt. "Some companies have moved further down the road over the past two to three years than others, but for all there's no going back."

This revolution in the corporate sector mirrors the rapid changes taking place in Germany's political sphere. Faced by a sluggish economy and a pressing need to cut public borrowing to enable Germany to qualify for European monetary union, many politicians are eager to push on with wide-ranging reforms of the country's tax and pensions systems.

Several German companies have become vocal in urging the government to speed up these reforms. The changes would allow companies to cut costs as working practices became more flexible and hence enable them to face up more effectively to international competition and become more acceptable to international investors.

The search for new sources of capital has already led a handful of German companies to list on the US stock market. Daimler-Benz, the motor and aerospace conglomerate, became the first to list on the New York Stock Exchange in 1993, bowing to the US securities regulations, including its accounting and disclosure rules. This month it published for the first time the whole of its accounts purely according to US generally accepted accounting principles (US GAAP).

Veba, the German energy and industrial conglomerate, became the second company to file its accounts according to US GAAP last year and last month unveiled plans for a debut on the New York Stock Exchange in October to boost its internationalisation.

Deutsche Telekom, the huge telecoms utility, also files its accounts according to US Gaap and listed in New York following its partial privatisation last November. SGL Carbon, the German group which is the world's biggest producer of carbon and graphite products, and Pfeiffer Vacuum, a manufacturer and supplier of vacuum technology, are also listed on the New York Stock Exchange.

But while some of Germany's companies have made the leap towards the US, perhaps the most surprising fact is that so many others have not followed. Adidas, Bayer, the chemical and drug company, Hoechst and Schering, the pharmaceuticals companies and Heidelberger Zement file their accounts according to International Accounting Standards, but as yet none has opted for full US accounts or a US listing. Continental, the German tyre company which is the world's fourth largest tyre manufacturer, intends to seek an overseas listing within the next couple of years but in London rather than in New York.

One reason may be that the US accounting rules impose heavier and costlier requirements on companies than do German rules. Most famously in Daimler's case,

Daimler-Benz had to bow to US securities regulations when it became the first German company to list on the 'Big Board'

the adoption of US-style accounting principles in 1993 revealed losses which had been hidden under German accounts.

This provided a strong reminder of just how dissimilar the national accounting rules were and failed to endear the company to US investors.

Problems such as these have deterred other German companies from following Daimler's path. Several have moved towards adopting some international accounting standards but have not gone all the way, publishing some crucial figures according to German principles and some according to US and international methods. But this half-way house can cause confusion, again not endearing companies to international investors.

But the moves have nevertheless prompted plans by the German government for reform of the domestic capital markets. The fear is that Germany will lose out to other financial centres such as London or New York unless old regulations are scrapped and tax incentives are introduced to expand its own markets and encourage broader institutional shareholder participation. When it listed last year – after adopting US accounting standards in 1995 – Pfeiffer Vacuum said that its share would capture investor attention more successfully in the US than in Germany, where trading in the shares of mid-sized companies is notoriously thin.

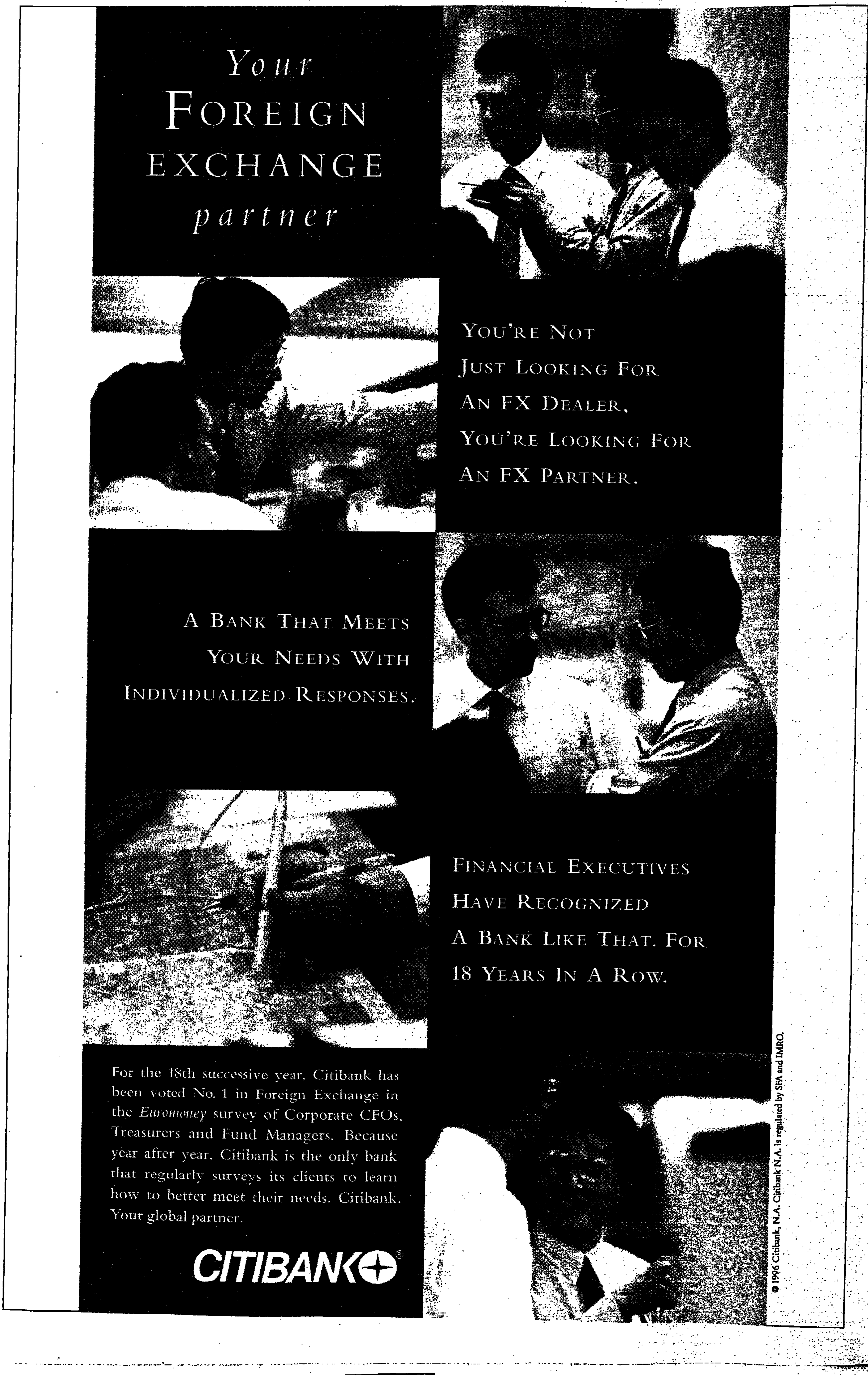
Such problems prompted the establishment last month of the Neuer Markt, a Frankfurt-based exchange aimed at young, innovative, fast-growing companies along the lines of Nasdaq in the US and the Alternative Investment Market in Britain. Deutsche Börse, which runs the exchange, hopes up to 20 companies will list on the bourse in the first year.

Eventually the Neuer Markt wants to link up with similar ventures in Paris, Brussels and Amsterdam to provide a pan-European market segment for small companies.

Moves such as these could mean that German companies may not need to look abroad for sources of new and ready capital. But the Neuer Markt is still in its infancy – at its launch it had only two listings.

Other fast-growing non-listed companies, many of which tend to have an increasingly international outlook, have signalled they are likely to by-pass the German market and list directly in the US when they decide to go public.

This means that further measures by companies to boost their internationalisation are likely, measures which should go beyond the merely cosmetic razzmatazz to include concrete steps which will make their shares palatable for the exacting tastes of US investors.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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

IBM to be freed of antitrust rule

International Business Machines is finally to be released from an antitrust regulation which curtailed its market power. The change revokes 1956 measures that aimed to stop the computer giant monopolising the manufacture of early electronic machines. 1956. Page 26

Royal Dutch/Shell surprises analysts
Royal Dutch/Shell surprised analysts by reporting lower capital expenditure in the first quarter in spite of promises to begin drawing down its £8.9bn ($14.4bn) cash mountain by investing more in new projects. Page 28; Lex Page 22

Time Warner to close Orlando network
Time Warner, the media giant, is to close its Orlando Full Service Network – the television system that gives subscribers access to movies and even allows them to order pizzas. Page 26

Barrick Gold predicts flight to quality
Turbulence in the international gold market will cause a flight to quality among investors in gold mining, predicted Mr Peter Munk, chairman of Toronto-based Barrick Gold. Page 26

Informix revenues fall by 34%
Informix, the US database software company, reported heavy losses for its first quarter as revenues fell by 34 per cent. Page 26

LucasVarity drops Ernst & Young
LucasVarity, the Anglo-US engineering group, said it had dropped accountants Ernst & Young as its joint auditors following a review of the company's financial reporting strategy. Page 28

Deutsche Post to buy TNT unit
Deutsche Post, the state-owned German postal utility, is to buy a local unit of TNT, the Australian parcels group taken over last year by KPN, the Netherlands' post company. Page 25

DoCoMo listing underlines growth
The plan for a 1998 listing for DoCoMo, the mobile phone subsidiary of Nippon Telephone and Telegraph, underlines the growth of a market that was considered backward just a few years ago. Page 27; Lex Page 22

Mol domestic allocation increased
The Hungarian state privatisation agency has decided to increase the "greenshoe", or oversubscription, allocation in oil and gas company Mol in its planned domestic share offering. Page 24

Annual results for Lippo revised up
Audited results at Lippo Life and Lippo Securities, two of Indonesian Lippo Group's listed units, showed 1996 net income was much higher than previously reported. Page 27

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

NEW YORK ($)			
Rises			
Coastcast	11¼	+	1⅛
CUC Intl	23¼	+	2⅛
Hallwood	27¼	+	2¼
Luxottica	65⅝	+	5¼
Total Sys	26⅛	+	1⅞
Falls			
Aames Fin	11⅞	–	3½
LONDON (Pence)			
Rises			
Arlon Props	25½	+	12½
Gent (SR)	55	+	4½
Hickson Intl	79	+	7½
Petra Diamonds	53½	+	11
Falls			
Matthews (B)	127	–	12½
Utility Cable	12¼	–	5½
TORONTO (C$)			
Rises			
Datamirror	8.75	+	0.75
Hyal Phrm	4.75	+	0.55
Philex Gold	7.50	+	0.50
SR Telecom	7.00	+	0.80
Teo-Comm B	2.91	+	0.54
Falls			
Golden Star	9.25	–	0.60
TOKYO (Yen)			
Rises			
Chuo Tst & Bkg	605	+	33
Ikegami	693	+	43
Mikuni Coca	1600	+	80
Oji Paper	685	+	44
Falls			
Daiwa House	1350	–	70
Showa Shell	899	–	39
HONG KONG (HK$)			
Rises			
Cheung Kong	69.50	+	1.50
Hutchison Whmp	58.75	+	1.25
New Wld Dev	46.10	+	1.40
Sino Land	8	+	0.65
Vartronix	12.05	+	1.25
Falls			
HK Electric	28.55	–	0.85

New York & Toronto prices at 12.30. Paris, Bangkok & Frankfurt closed.

Bankers Trust adopts own risk model

New international rules allow banks to assess how much capital they need to hold

By George Graham in London

Bankers Trust, the New York-based wholesale bank, has become the first institution to take advantage of new international rules which can lower the amount of capital banks need to hold.

The Bank for International Settlements agreed last year to allow banks to use their own internal models to measure how much capital they need as a cushion against swings in financial markets. The BIS, based in Basle, has become the centre for setting global banking supervision standards.

The new rules should come into effect at the beginning of next year, but the Federal Reserve is allowing some US banks to introduce the system before then if they can satisfy supervisors that their models work properly.

Bankers Trust won approval to use the new technique for calculating its capital adequacy ratios at the end of the first quarter.

The bank's tier 1 capital at March 31 stood at 8.1 per cent of its risk-weighted assets. This is well above the official BIS minimum of 4 per cent, although most international banks achieve at least 6.5 per cent.

Bankers Trust's ratio is estimated to be more than half a percentage point higher than it would have been without the use of the new modelling rules. Without that half point bonus, Bankers Trust' tier 1 ratio would have shown a sharp drop because it was required for the first time to include the activities of BT Securities, its securities trading affiliate, in its overall capital calculations.

European banks are likely to have to wait until 1999 at the earliest because the European Commission has only recently released proposals for amending its capital adequacy directive to allow internal modelling.

Market risk is the risk of loss from an adverse movement in interest or exchange rates, or in the price of equities or commodities.

Using historical market data, a bank estimates its "value at risk": the most it would be expected to lose in 99 10-day trading periods out of 100. That number is then multiplied by three to give the required capital cushion.

Even with this three times multiplication, the end result is usually lower than the capital required under old BIS rules, which require a large amount of capital to be held against securities issued by companies.

Many bankers expect the capital requirements to be lowered still further as the BIS gradually accepts that internal models can produce accurate results for a wider range of risks.

Bankers Trust has already been using this form of modelling to assess its economic risk for internal management purposes.

Many other banks, including some large international institutions, are still using the BIS's simple capital adequacy formulae, which can distort their perception of how profitable their different business lines are.

"The new standards more closely reflect the economics of our business," said Mr Clinton Lively, head of global risk management at Bankers Trust.

Move leaves head of French bank with no heir apparent

Stern quits Lazard Frères to start $600m fund

By George Graham, Banking Correspondent

Mr Edouard Stern, once regarded as the heir apparent to Mr Michel David-Weill as head of Lazard Frères, has left the French merchant bank to run his own investment fund.

Mr Stern's position at Lazard had been in doubt for some months after friction both with Mr David-Weill, who is his father-in-law, and with other Lazard partners.

Mr Stern will keep a stake in Lazard, although he will no longer be an executive partner. In addition, half of his $600m (£370m) new fund will come from Eurafrance and Gaz et Eaux, two listed holding companies controlled by Lazard associates.

Mr David-Weill said he maintained a considerable regard and affection for Mr Stern, who is 42, but that his greatest talent was as an investor: "He is much more gifted as a businessman than in service activities. That will henceforth be his principal activity."

Before his arrival at Lazard, Mr Stern had already built up and then sold his own family's bank, Banque Stern. Although Mr David-Weill says that he was never his anointed successor, it was assumed in Paris that Mr Stern would take over from his father-in-law.

"Things were read into Edouard's arrival which were not by any means explicit. When a son-in-law turns up at a bank which feels like a family bank, even if it isn't one, that is perhaps only natural," said one banker.

Mr Stern clashed repeatedly with other Lazard partners, including Ms Anne Lauvergeon, a former adviser to the late President François Mitterrand, with whom he tangled over which of them should fill a board seat at Pechiney, the aluminium company.

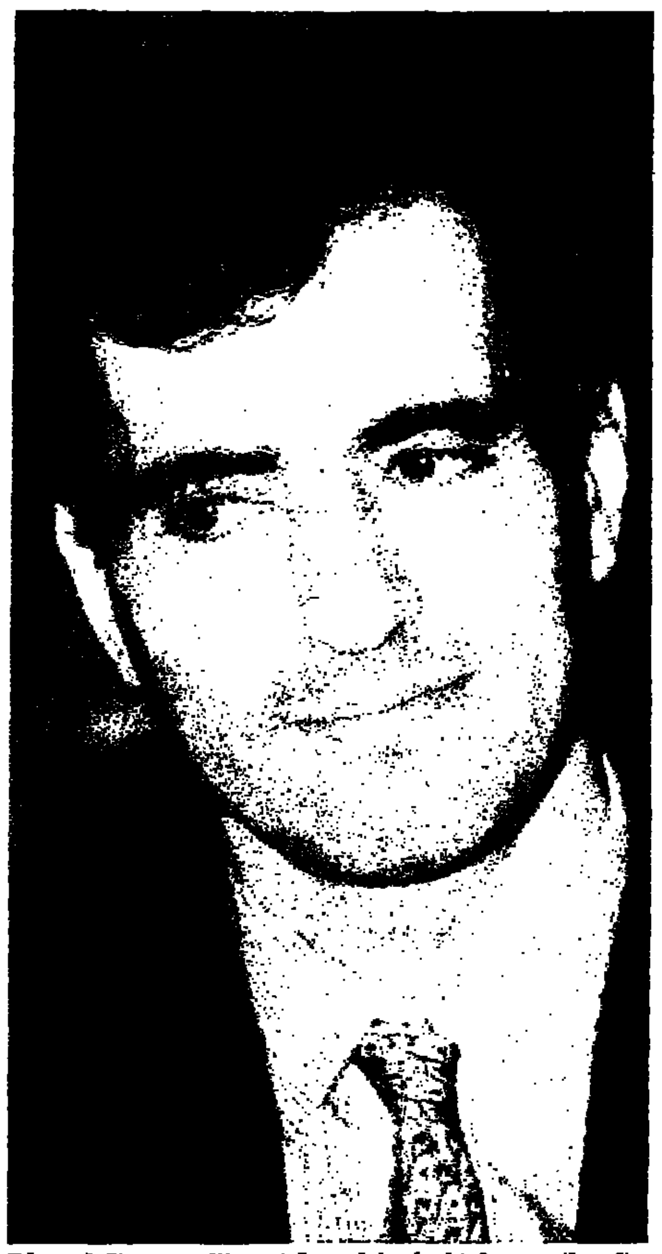
Mr David-Weill, who has run Lazards for the last 20 years, is 64. He could continue in office for another 15 years.

The departure of Mr Stern has re-opened questions about the future of the Lazard group, whose semi-autonomous arms in Paris, New York and London have been seeking to build closer links through the Lazard Partners holding company.

Pearson, the UK conglomerate which owns the Financial Times, owns 50 per cent of Lazard Partners. Lazard owns a reciprocal stake in Pearson.

The three banks manage more than $45bn of institutional funds and remain important mergers and acquisitions advisers, topping last year's league tables for European cross-border deals.

Observer, Page 21
Holy Trinity, Page 24


Edouard Stern: position at Lazard in doubt for months after friction with Michel David-Weill, his father-in-law

Outdoor to buy 3M advertising arm for $1bn

By Richard Waters in New York

Outdoor Systems, the US's largest operator of billboard and poster advertising displays, yesterday put down $1bn in cash to further its ambition to dominate one of the fastest-growing sectors of the country's advertising market.

The Phoenix-based company announced an agreement to buy National Advertising, an operation owned by Minnesota Mining and Manufacturing (3M), the conglomerate that makes Scotch tape and Post-it Notes. National Advertising was until recently the biggest company in its industry, before being overtaken in a flurry of deal-making.

The purchase could leave the acquisitive Outdoor Systems with nearly a quarter of roadside billboards, poster displays and other outdoor advertising sites around the country. It will need approval from federal anti-trust regulators, however, who may balk at the extra power the purchase would give the company in cities like Los Angeles and Chicago.

The acquisition would put Outdoor Systems ahead of Eller Media, another fast-growing company which has been on an acquisition spree. Eller claimed 50,000 display sites at the end of last year, compared with about 62,000 at Outdoor Systems and 32,000 at National, the third largest. There are 396,000 sites in the US, according to the Outdoor Advertising Association.

In spite of newer and more high-tech media such as the Internet, the low-tech outdoor display business has been quietly booming.

It accounts for little more than 1 per cent of total advertising spending in the US each year, or about $3.8bn, according to the trade group. However, spending rose 11 per cent last year, faster even than the buoyant 7 per cent growth in total advertising spending.

The purchase would add a business with about $200m in revenues to Outdoor's existing operations. Last year it paid $700m for the billboard and other sites operated by Gannett, the regional US newspaper group, which brought it about 40,000 sites and $250m in revenues.

3M said it put the business up for auction after unsolicited approaches from a number of potential buyers.

It added that it had decided to sell rather than try to remain a leader in the consolidating industry because local regulations made it unlikely that the number of billboards and other outdoor sites across the country would grow much in the future.

The acquisitions have been spurred in part by an attempt by companies like Outdoor Systems to offer nation-wide service to national advertisers.

Equant appoints Ford as new European president

By Alan Cane in London

Mr Howard Ford, former managing director of the UK mobile phone company Cellnet, emerged yesterday as European head of the world's biggest data communications network.

He has been named European president of Equant Network Services, a global organisation established to market the services of the communications network built up by a consortium of world airlines (Sita) for their data traffic.

Equant, formerly known as Scitor, was established in 1992 and is co-owner with Sita of the airline network.

Its role is to make the services of the network available to multinational companies on a commercial basis. Mr Ford left Cellnet abruptly in March, and said yesterday he was unable to comment on his reasons for leaving because of contractual requirements.

His departure followed Cellnet's poor performance last year and problems with a major software project.

The delayed software project involved a new customer care and billing system which was at the heart of the group's plans to improve its subscriber numbers.

Cellnet's critics say the company has lagged behind its chief rival Vodafone in converting customers from the older analogue networks to advanced digital technology, forcing a shake-up in its tariff structure just prior to Mr Ford's departure.

Equant plans revenues of $1bn by January 1999 and is expected to float on the stock market within two years.

Mr Ford, who is aged 46, said that he had first been approached by Equant last September.

He said that although British Telecommunications - Cellnet's majority owner - and Equant were rivals, BT had freed him from an obligation to remain on "gardening leave" until July.

Equant, whose chief executive is Mr Didier Delepine, is based in Atlanta, Georgia, with regional offices in London and Singapore.

It competes with global carriers including Concert, owned by BT and MCI of the US, and Global One owned by Deutsche Telekon, France Télécom and Sprint of the US.

Second bid approach for APV

By Charis Gresser in London

A two-way fight for the future of APV was in prospect yesterday as the UK process equipment maker revealed it had received a second bid approach, just two days after receiving its first.

City analysts suspected yesterday that the second approach was probably made by the German company GEA, one of APV's largest rivals. GEA said on Tuesday it was not behind the first approach.

APV shares continued to rise yesterday, up a further 5p to 92p, giving the company a market value of £274m ($444m), about 50 per cent higher than its value last week when the shares were about 61p. There have been unusually high levels of turnover in the shares over the past week.

GEA is believed to have told industry analysts in Germany that if a bid was made for APV, GEA would need to take a closer look at its UK rival.

The German group, which could not be contacted yesterday because of a public holiday, has made a number of big acquisitions in recent years.

Its aggressive expansion has helped boost the company's sales worldwide by more than 350 per cent to over DM4bn ($2.3bn) since it went public in 1989. It has expressed an interest in merging with APV, but the most recent talks are believed to have ended in 1991 over a price disagreement.

APV's second suitor is also a mystery. Names mentioned yesterday included Linde, the German engineering group.

In March, Linde said it would add a fifth division to its existing four, which include plant construction, cargo-handling equipment, refrigeration and technical gases.

Mr Hans Meinhardt, chief executive, did not specify what the fifth division would include, but said it would result from a foreign acquisition. The company's sales for 1996 were DM8.8bn. Linde could not be contacted yesterday.

FMC, a US company with sales of $5bn, was also mentioned. It makes food processing machinery and armoured personnel carriers. It declined to comment about APV yesterday.

David-Weill left to mind 'holy trinity'

Stern's departure leaves unanswered questions about Lazard's structure, says George Graham

Edouard Stern's departure from Lazard Frères to run his own investment fund may lay to rest any discussion of whether he might eventually succeed Mr Michel David-Weill, his father-in-law, at the head of the French investment bank.

It leaves unanswered, however, the question of Lazard's competitive position in the French investment banking market it has dominated for so long. In the 1980s, it was not unusual to find Lazard partners advising both sides on the major financial transactions in France.

Today, Lazard is finding itself squeezed out of many of the biggest deals by its US competitors. It advised the UAP insurance group on its merger last year with Axa, but played no role in the Crédit Agricole takeover of Banque Indosuez, the Havas-Générale des Eaux restructuring or the Suez-Lyonnaise des Eaux deal.

According to statistics compiled by Securities Data, Lazard ranked second to Goldman Sachs, of the US, as an adviser on mergers and acquisitions with a French buyer or target last year.

Some of Lazard's relative decline may be the result of it paying closer attention to conflicts of interest than in the past. It ruled itself out of the Crédit Agricole-Indosuez deal, for example, because of such a conflict.

Mr David-Weill argues, too, that it reflects a return to normality, after a period when the bank faced no competition because all its rivals had been killed off by nationalisation in President François Mitterrand's first term of office.

In any case, since the Paris bank produced record profits last year, he appears unconcerned that it may be losing its position.

Rivals point to the advancing age of Lazard's top corporate financiers in Paris. Mr Antoine Bernheim, though still vigorous, is now 72, while Mr Bruno Roger and Mr David Dautresme are both in their 60s.

Insiders, however, say that younger partners such as Mr Georges Ralli, Mr Pierre Tattevin and Mr Patrick Sayer mean that Lazard is in no danger of losing its edge.

The spotlight is now also focused on how the relationship between the three Lazard houses in London, Paris and New York will evolve.

With no obvious heir apparent in Paris, and with Mr Felix Rohatyn expected to step down in New York to become US ambassador to France, Mr David-Weill is more obviously in sole command of the Lazard group than ever.

Although Lazard Brothers in London appears to operate harmoniously, New York continues to exhibit tensions. Mr David-Weill observes, however, that "any investment bank is by necessity full of people who are pretty highly strung because the talent needed to win customers is made up in equal parts of confidence in yourself and insecurity."

Since last year, the three houses have agreed for the first time to share their profits. They have set up Lazard Capital Markets, a joint venture to provide equity underwriting, distribution and research throughout Europe, and this year decided to merge the London and New York fund management divisions into one unit run from New York.

Through Lazard Partners, which the bank's executives refer to as a "quasi-holding company", the group meets regularly to discuss and implement strategy across its three units.

But Mr David-Weill wants to preserve Lazard as a "holy trinity", since a united firm would become, in effect, American, and would lose the advantages of local identity.

"It will be three and it will be one," he said recently. Nevertheless, he would like to appoint a management board of three to five people to improve the co-operation between the three branches.

Also undecided is the future of Lazard's links with Pearson, the UK conglomerate which owns the Financial Times. London analysts continue to speculate that under Ms Marjorie Scardino, its new chief executive, Pearson will decide to sell its 50 per cent stake in Lazard Partners.

Mr David-Weill has indicated that if Pearson were to sell, Lazard might logically sell the Pearson shares it holds in order to finance the repurchase of the stake.

Michel David-Weill: Lazard 'will be three and it will be one' to avoid becoming American

Mol domestic 'greenshoe' option is increased

By Kester Eddy in Budapest

The Hungarian state privatisation agency has decided to increase the "greenshoe", or oversubscription, allocation in oil and gas company Mol in its planned domestic share offering.

The domestic part of the offering will now consist of a 1 per cent stake (984,000 shares), with a maximum 3 per cent for oversubscription, lifting the potential revenue from the domestic sale to about Ft 13bn ($71m).

The move to raise the greenshoe option follows strong interest from institutional and retail investors in Hungary. Retail investors will be offered 12-month credit on up to 70 per cent of the share price as an inducement.

The domestic offering is scheduled for May 12, after the international tranche sale, which is now under way. This involves the sale of 12.5 per cent of the equity, with a 2.5 per cent greenshoe option. Pricing and allocation on the local offering is due on May 6, and indications are that demand is strong. The state privatisation company currently holds 58 per cent of Mol.

The decision to increase the domestic greenshoe means a potential 19 per cent of Mol will be sold off in both offers. Mol shares closed at Ft 3,335 in Budapest on April 30, making the total offer worth about $354m.

Mol had consolidated net profit of Ft 27.7bn ($158m at current rates) on turnover of Ft 497.6bn last year, while operating profits rose from Ft 8.8bn in 1995 to Ft 32.3bn.

The company is making moves outside Hungary. It bought Amoco's 12 service station sites in Romania in March and strengthened its Austrian operations by buying a majority stake in a trading subsidiary. Mol also signed a three-year exploration concession for a 3,400 sq km area in Yemen on April 8.

Last month the Hungarian group signed a $500m, seven-year syndicated loan agreement with an international consortium of 24 banks at an interest rate of Libor plus 30 basis points. The loan was the largest syndicated loan raised to date in Hungary, and carries the most favourable terms – for its size – yet achieved by a Hungarian company without a state guarantee.

The money will be used to refinance part of Mol's long-term debt, and to finance development and modernisation projects. "It's pushing to be a regional company, and it should make it. There aren't so many of those in Hungary," one analyst said.

EUROPEAN NEWS DIGEST

Heavy demand for Bull shares

Share trading in Compagnie des Machines Bull, the French computer group, will resume today after the close of the offer period for just less than half of the government's 29 per cent stake.

Bull said on Wednesday that its offering of 17.1m shares to institutional and individual investors had been heavily oversubscribed. It said more than 70,000 individuals had requested more than 21 times as many shares as were set aside for them, while more than 150 institutions had asked for 16 times their allocation. Bull said 32 per cent of the institutional shares would be held by French groups, 35 per cent by UK firms, 20 per cent by firms from other European countries and 13 per cent by non-European firms. "These figures reflect Bull's desire to be a Europe-wide high-tech investment," Bull said. Other Bull shareholders include France Telecom, NEC, of Japan, and Motorola, of the US. *Reuter, Paris*

Postbank and Post agree

Deutsche Postbank, the German postal savings bank, has signed an agreement with Deutsche Post, the German post service, to regulate Postbank's use of post office counters. However, contrary to expectations, the deal did not clear the way for the bank's eventual privatisation. Postbank said the agreement was not complete and details had still to be negotiated. "We have doubts. The agreement is a compromise, an act of faith on our part," it said.

Postbank's unenthusiastic decision came hours before a deadline set by the post and telecommunications ministry, which has been anxious to end a long-running feud between the two state-owned companies. It followed strong objections by Postbank management that the draft agreement would be too costly and that it could jeopardise its sale to private investors. The postal service had signed the agreement earlier. *Peter Norman, Bonn*

Deutsche Post in TNT deal, Page 25

ABN Amro closes US buy

ABN Amro, the Dutch bank, said yesterday it had completed its acquisition of Standard Federal Bancorp, the US regional bank, for $59 a share. The deal, announced last November, is valued at $1.9bn and is ABN Amro's largest. ABN Amro said the acquisition gave it total assets of $97bn in North America. Standard Federal Bancorp is based in Troy, Michigan. At March 31, Standard had assets of $15.9bn, deposits of $1.5bn and stockholders' equity of $985.9m, ABN Amro said. It operates 182 banking centres in Michigan, Illinois, Indiana and Ohio, and a mortgage banking operation through its InterFirst division. *AFX News, Troy, Michigan*

Liaunig to head Lenzing

Lenzing, the Austrian viscose producer majority-owned by Bank Austria, has named Mr Herbert Liaunig chairman of its supervisory board. He succeeds Mr Gerhard Randa, who stepped down yesterday. Mr Liaunig, 52, is also chairman and founder of Auricon Beteiligungs, the international conglomerate. An extraordinary meeting of Lenzing shareholders yesterday appointed three other members to the supervisory board. *Mark Mulligan*

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Kugelfischer comes back from the brink

Once close to insolvency, the German industrial bearings group is now aggressively targeting overseas markets

Four years ago FAG Kugelfischer, Germany's biggest maker of industrial bearings, was staring into the abyss.

The company, whose products are among the most widely-used engineering devices – with applications from car production to paper making – had debts of DM2bn ($1.15bn), was losing DM10m a week and was close to insolvency.

"We had to pull ourselves up by the hair and out of the mud," says Mr Peter-Jürgen Kreher, Kugelfischer chief executive, who arrived at the company in 1993 after spells at Deckel and Deutsche Babcock, two other big German engineering groups.

Today, with its workforce halved and its product line significantly reduced, the company is making money. It has been helped by a refocusing of marketing efforts towards high-growth countries – particularly in Asia – and away from the company's traditional base in Germany and the rest of Europe.

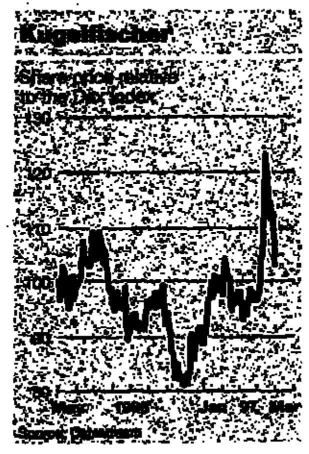
Kugelfischer's refocusing represents one of the best examples in Germany's engineering sector of a company taking tough action to combat high domestic costs and refocus on growth markets, according to Mr Olaf Tölke, an engineering analyst at Merrill Lynch, the US investment bank.

"The management has done a wonderful job. It is a much better company than it was three years ago," Mr Tölke says. Operating income last year was DM160m, up 18 per cent from DM136m in 1995, on sales of DM3bn.

Reflecting the changes, Kugelfischer's share price has surged 65 per cent since November, comfortably outperforming the German stock market, even though analysts were disappointed by the 8 per cent drop in first-quarter operating income, to DM23m, announced this week.

Mr Kreher is confident of steadily improving prospects for the company over the rest of the decade, helped by an expected upturn in the machinery industries in Europe which are Kugelfischer's main customers.

The company is Europe's second-biggest maker of industrial, or anti-friction, bearings, after SKF of Sweden, and fourth biggest in the world – NSK and NTN of Japan are in second and third positions in the global league table. It has roughly 10 per cent of the world bearings market.



When Mr Kreher arrived at the company, Kugelfischer had been badly hit by the slowdown in the German economy after the post-unification boom.

"Everything was out of order – nothing was regular," he says. "We had to find our way back to heaven, but we had to go down to hell on the way."

One of the first tasks was to rethink the company's product line. In 1992, Kugelfischer made 320,000 types of bearing, reflecting their wide range of applications in industries including automotive, jet engines, pumps, rail transport, general machinery and steelmaking.

But the diversity put too great a strain on manufacturing scheduling and inventories. The company also discovered that customers could cope with rather less flexibility. Mr Kreher has brought the product line down to just 25,000, with the company stocking another 6,000 types made by other manufacturers.

At the same time, the workforce was halved, from 30,000 to 15,000 – with three-quarters of the job cuts falling on Kugelfischer's high-cost German plants.

Today, just over half the company's global workforce is in Germany, where Kugelfischer has its headquarters in Schweinfurt, east of Frankfurt. This compares with 70 per cent in the early 1990s.

The company has also stepped up efforts to find customers outside its homeland. Germany now accounts for 27 per cent of sales, compared with 36 per cent in 1992.

Mr Kreher wants the trend to continue, with a special push to find more customers in east Asia and the Americas – which in 1996 accounted for 12 per cent and 32 per cent, respectively, of Kugelfischer's sales. He hopes the combined total will be up to 47 per cent by 1999.

This shift fits in with overall trends in the bearings industry.

Freedonia, the US industrial consultancy, expects bearings consumption to grow 10.4 per cent a year by 2000 in the Asia-Pacific region as industrialisation in this area gathers pace, compared with the 7.4 per cent a year growth envisaged for western Europe.

Over the next three years, Kugelfischer plans to spend DM730m on capital investment, nearly double the figure for the 1994-96 period.

Of the total, more than half will be spent outside Europe, mainly in the US, Brazil, India and China. "We must follow the market and produce close to where the products are needed," Mr Kreher says.

Peter Marsh

Peter-Jürgen Kreher: 'We had to pull ourselves up by the hair and out of the mud' Photograph: Maga Taroni

German post office buys local TNT unit

By Gordon Cramb in Amsterdam

Deutsche Post, the state-owned German postal utility, is to buy a local unit of TNT, the Australian parcels group taken over last year by KPN, the Netherlands' privatised posts and telecommunications company.

The deal is a surprise outcome to a legal suit launched in Bonn by KPN after Deutsche Post acted to end a contract under which the subsidiary, TNT Netzwerk Logistik, shipped packages among its German postal distribution centres.

The contract, worth DM300m ($176m) a year, had been due to run until March 2000. KPN said the deal would safeguard the 1,100 jobs involved, mainly at subcontractors.

Deutsche Post had argued that the Fl 2.7bn takeover of TNT by an "aggressive" competitor justified its decision. It feared KPN would gain access to strategic information and argued it was unable to compete in the Dutch market on a similar basis.

Time Warner to end interactive TV trial

By Raymond Snoddy

Time Warner, the US media and entertainment group, is to close its Orlando Full Service Network – a television system that gives subscribers instant access to any of 100 movies and even allows them to order pizzas via their television screens.

From the end of the year viewers in the 4,000 homes taking part in the world's most extensive, and probably most expensive interactive TV trial, will have to get used to more conventional fare from their television sets.

Time Warner declines to say how much the experiment cost, but it is believed to be about $100m.

The Orlando trial has attracted communications industry visitors from all over the world.

British Telecommunications ran a similar commercial interactive television experiment in the Colchester area of Essex, but that closed last year.

Time Warner, which regards the Orlando experiment as a success, will begin introducing some of the new services pioneered there on its cable networks later this year.

The company regards the Orlando findings as valuable proprietary information and refuses to discuss specifics.

But earlier this year Mr Tom Feige, president of the Orlando network, which was built in 1994, admitted that the company was "getting some very good and very interesting results in terms of usage of the network, and we will be able to project what the revenues are going to look like".

The big success was video-on-demand movies. The Orlando subscribers, given instant access to the movie of their choice, demonstrated buy rates significantly more than five times as high as early pay-per-view systems.

The provision of such instant choice is currently uncommercial, because of the cost of the video servers, or databases, that transmit the films – although costs are rapidly coming down.

Time Warner has ordered 1m digital decoders at a total cost of $500m from suppliers such as Scientific Atlanta for its cable networks, which have 12.5m subscribers. The new "home communication terminals", which will be available from the turn of the year, will be able to offer some of the Orlando services. In particular, subscribers will be able to have near video-on-demand, ensuring that they are never more than 20 minutes away from the start of the movie of their choice.

Full video-on-demand and fast Internet access is expected to be available by 1999.

Time Warner is expected to introduce digital services on its modern cable networks in cities such as Orlando and Tampa in Florida, Austin and Houston, Texas, and Memphis, Tennessee. But the new services will only be offered to those who want to pay for them.

TCI hits back with digital

Cable group's new president addresses satellite threat head-on

Tele-Communications Inc, the leading US cable television group, which has been pummelled for the past year by disillusioned investors, returned to the offensive this week.

Touting better-than-expected first-quarter results at a three-day conference with analysts and bankers, TCI presented an agenda featuring an aggressive response to satellite TV, which is eating into its market, and pledges of continuing improvements in financial performance.

Digital television delivered via cable, the long-delayed multichannel response to fast-growing satellite services, would be available to 90 per cent of TCI's 14.3m US customers before Christmas, according to Mr Leo Hindery, the new president of the group. Although no targets have been set, Mr Hindery said he had "a sense" that 30 per cent of those with access might subscribe.

The company would also generate free cash flow of up to $1bn this year, meeting Wall Street's expectations; fund from its own resources a three-year $1.7bn system upgrade with optical fibres; and continue cutting its $14.5bn debt, he pledged. Operating cash flow of $701m in the first quarter – a 24 per cent improvement after adjusting for acquisitions and disposals – outstripped analysts' highest estimates of $675m.

TCI's debt to cash flow ratio of 5.14 per cent in the first quarter, compared with 5.95 per cent in the same period last year, would be "quite a bit lower" by the end of the year, Mr Hindery added. "We made a lot of promises in the past few years. We made promises today that we'll keep."

TCI lost about 30 per cent of its stock market value in the past year as investors retreated, convinced the company had lost its way under its abrasive founder, Mr John Malone, who ceded operating control to Mr Hindery in mid-February.

In less than three months, Mr Hindery has shaken out much of the top management, promoted middle-rank executives, and reversed key strategic decisions taken last year during Mr Malone's tenure.

The main changes include the accelerated roll-out of digital services, re-hiring marketing and customer service agents discarded during last year's round of cost-cutting, when TCI shed 2,500 employees, and decentralisation of decision-making. Power over programming and subscriber rate decisions now rests with managers of six new regional network clusters.

"This is not a national anything company. We are in the local cable business," Mr Hindery said.

Digital compression techniques, which can squeeze several programmes into a single conventional analog cable channel, will give average subscribers access to up to 40 new programme choices, plus CD-quality music services. Although the total available is still well below the choice from up to 200 offered by some direct broadcast satellite (DBS) companies, TCI officials claimed new technologies would soon be available which would allow cable to compete.

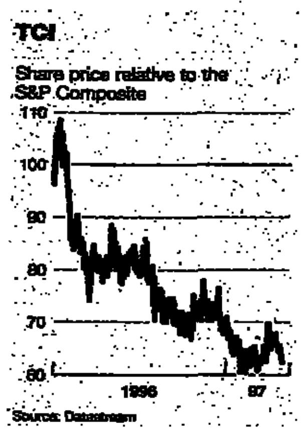
Mr Hindery's new approach to corporate communications also went down well with an audience accustomed to the abrupt, dismissive manner of Mr Malone.

"We screwed it up," he said, admitting that last year's retrenchment and cost-cutting effort was widely interpreted as a sign that TCI had lost its grip on its core business.

In fact, Mr Hindery claimed, the company clamped down on capital expenditure on upgrading its fibre optics circuits, because its inventories were out of control and it was "spending capital madly" well before the new equipment could be put to economic use.

"It was refreshing and, I think, realistic," one member of the audience said of the presentation, "but there's still quite a bit of ground to be made up."

According to Mr Hindery, some progress is being made. A fall in subscribers which started in the last quarter of 1996 had been reversed in March, with gains continuing into in the current quarter.

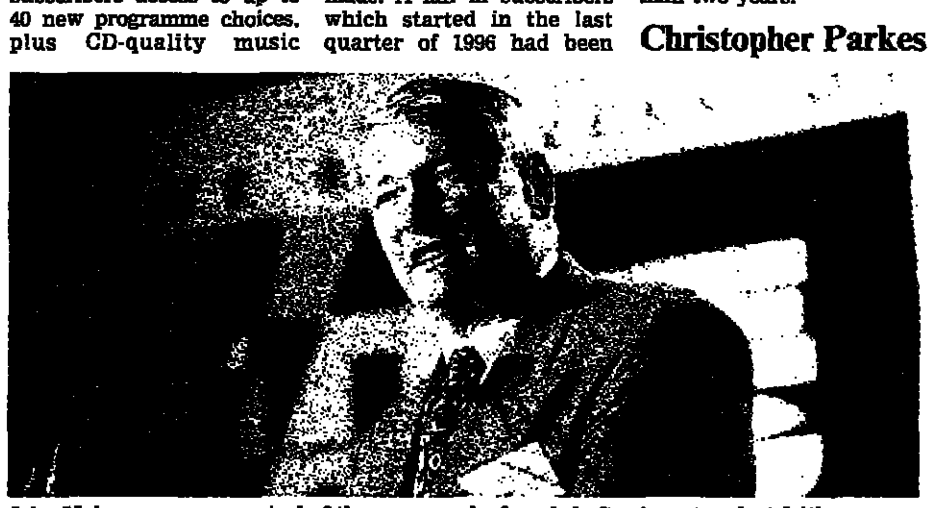


Although satellite companies claim they have been capturing cable customers, Mr Hindery said the losses were the result of subscription rate increases.

However, he made plain that TCI's attitude to digital services had also been reversed. "I first saw digital as a defensive response [to DBS]. But now it is an offensive product," he said.

DBS, dismissed by Mr Malone – he once said the letters stood for "Don't Be Stupid" – has won almost 5m subscribers in little more than two years.

Christopher Parkes



John Malone: gave up control of the company he founded after investors lost faith Reuter

US regulators lift antitrust curbs on IBM

By Nicholas Denton in London

International Business Machines, the US company which dominated the computer industry until the arrival of desktop machines in the 1980s, is finally to be freed from the regulation that curtailed its market power.

The change, while it allows IBM to compete more vigorously, reflects the company's loss of influence to companies such as Microsoft and Intel, the dominant supplier of software and semiconductor chips respectively for PCs.

IBM's market capitalisation, although it has increased to $81.5bn since Mr Lou Gerstner became CEO, lags behind that of Intel, which is valued at $126bn, and Microsoft, which is worth $146bn.

The relaxation of controls on IBM has come this week with the decision of the US Justice Department to end antitrust regulation on IBM which the US authorities instituted in 1956.

The measure was intended to stop the computer giant from monopolising the manufacture of punch-card tabulating machines and electronic data processors.

It was still relevant in the 1960s and 1970s, when IBM dominated the production of mainframe computers used by companies for functions such as payroll processing.

In recent years, Microsoft, which develops the operating systems which run more than 90 per cent of PCs, has become the focus of regulators' attention.

In 1995, the Justice Department blocked Microsoft's planned $2bn acquisition of Intuit, the personal finance software company, and investigated the software giant's planned online service.

The federal government freed IBM's PC and workstation businesses last year. The latest relaxation, which will be phased over five years, covers its remaining businesses – AS/400 mini-computers and System 390 mainframe machines.

Informix posts $140m loss as revenues plunge

By Louise Kehoe in San Francisco

Informix, the US database software company, reported heavy losses for its first quarter as revenues tumbled 34 per cent. The company also announced restructuring plans and the resignation of its chief financial officer.

Informix warned investors a month ago that revenues would be much lower than expected. Yesterday, it revealed the full measure of the decline and resulting losses.

Revenues for the period were $133.7m, down from $204m in the same period last year and about $100m below Wall Street analysts' expectations.

The company reported a loss of $140.1m, or 93 cents a share. This included one-time charges of $37.5m related to an acquisition. In the first quarter of 1996, net income was $15.9m, or 10 cents a share.

"Since pre-announcing our expected results on April 1, we have moved quickly to enhance our sales and marketing organisation and address the causes of the revenue and earnings shortfall," said Mr Phillip White, chairman and chief executive.

Mr White reiterated the causes of the shortfall: unexpected weakness in European markets and a lack of focus on core relational database technology as the company pursued the emerging market for object-relational technology.

"There is no question that this has been a painful wake-up call, but we're confident that current initiatives will ultimately put us back on the right course," he said.

Mr Alan Henricks, Informix's chief financial officer had resigned with immediate effect, the company said.

As part of its restructuring, Informix said it would make cuts in operations that generate inadequate revenues, taking an unspecified charge in the second quarter.

Munk sees flight to quality in gold

By Bernard Simon in Toronto

Turbulence in the international gold market will cause investors in gold mining shares to flee to quality gold shares, such as Barrick, Mr Peter Munk, chairman of Toronto-based Barrick Gold, predicted yesterday.

Mr Munk told Barrick's annual meeting that the recent scandal surrounding Bre-X Minerals, the Calgary-based exploration company, had caused "a very changed perception" – for the worse – of the Canadian mining industry in other parts of the world.

But he said Indonesia, site of Bre-X's disputed Busang property, remained among the most attractive country for investment in emerging markets. "What happened in this fiasco is not the fault of Indonesia or Indonesian laws," Mr Munk said. Barrick would continue to pursue opportunities there.

Barrick, one of the biggest gold producers outside South Africa, spent a year trying to gain control of Busang, before doubts were cast on its gold content. Mr Munk said events at Busang had brought "a high level of personal loss and embarrassment".

Mr Munk painted a generally sombre picture of world gold markets. He blamed fall-out from the Bre-X scandal, the prospect of rising bullion sales from European central banks in the run-up to monetary union, and the Swiss National Bank's proposal to dispose of a sizeable part of its gold reserves for a Holocaust fund.

Barrick has protected itself against low bullion prices by hedging. Its hedge price has exceeded spot prices for nine years in a row, contributing an estimated US$375m to earnings.

However, Mr Munk said "management can only do so much in a declining commodity [market]".

In spite of his prediction of a flight to quality, Mr Munk acknowledged Barrick's share price had suffered from redemptions by investors in gold funds. "It's not hard to fathom that fund managers will first liquidate those gold stocks that are easiest to liquidate."

Barrick shares traded at C$31.35 at midday in Toronto yesterday, down from a peak of C$43.75.

COMPANIES AND FINANCE: ASIA-PACIFIC

DoCoMo races to maintain its lead

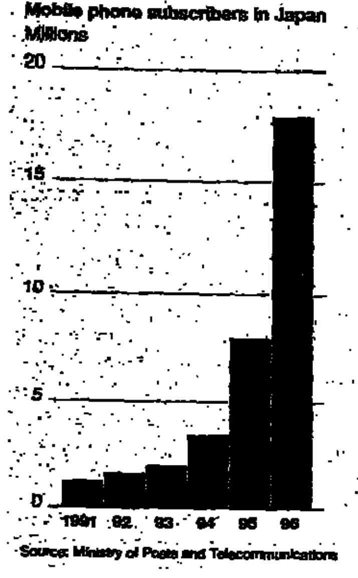
Rapid growth in the Japanese cellular market is a double-edged sword for the NTT subsidiary

The plan to list *DoCoMo*, the mobile phone subsidiary of Nippon Telephone and Telegraph, next year, underlines the growth of a market that was considered backward just a few years ago.

The DoCoMo issue is expected to be the single largest public offering in the global cellular phone industry, valuing the company at $20bn. That would make it the largest capitalised cellular phone operator in the world.

It is a feat DoCoMo will have achieved just six years after it began services as an independent company in 1992, after demerging from NTT. *In its first year,* DoCoMo's sales were Y328bn and pre-tax profits were Y7.2bn. *Last year, consolidated sales reached Y1,238bn ($9.75bn) while pre-tax recurring profits totalled Y74bn.*

Getting the message



Source: Ministry of Posts and Telecommunications

Japanese cellular and PHS* operators

Operator	Networks	Coverage
DoCoMo	Analog Digital (800) Digital (1.5GHz)	National
DDI Cellular	Analog Digital (800)	All areas outside Tokyo and Tokai
IDO	Analog Digital (800)	Tokyo, Shinetsu, Tokai
Tuka	Digital	Kanto (including Tokyo) Shinetsu, Kinki, Tokai
Digital Tuka	Digital	Hokkaido, Tohoku, Hokuriku, Chugoku, Shikoku, Kyushu, Okinawa
Tokyo Digital	Digital	Tokyo
Kansai Digital	Digital	Kinki

* Personal handyphone system

DoCoMo's impressive growth owes much to the spectacular surge in cellular phone use in Japan, particularly since the Ministry of Posts and Telecommunications deregulated handset sales and licensed three digital cellular phone operator groups in 1994.

The market has been a classic example of how deregulation leads to growth, points out Mr Andrew Haskins, analyst at HSBC James Capel in Tokyo. Cellular phone subscribers in Japan have surged from 1.25m in 1991 to 18m last year, while penetration is estimated to have risen from just 1.7 per cent three years ago to 21 per cent, if personal handyphone systems (a cheaper form of cellular phone) are included, according to the Ministry of Posts and *Telecommunications.*

The liberalisation of handset sales, allowing users to *own, rather than lease* mobile phones, has contributed to the growth of the market.

But the increase in the number of operators has been the most significant force behind the market's expansion, Mr Haskins says.

As the market has grown, the mobile communications industry has developed into a pillar of the Japanese economy. Total capital spending, at Y1,000bn last year, is expected to rise to Y1,800bn this year. That compares with total capital spending of Y662bn by 12 Japanese vehicle makers in 1996, and Y1,375bn in the electronics industry, according to the *Ministry of International* Trade and Industry.

Mr Eric Gan, analyst at Goldman Sachs in Tokyo, notes in a recent report that, in the year to March 1996, fixed-line traffic grew at just 1.7 per cent, against 115 per cent in cellular and PHS traffic.

DoCoMo has been the biggest beneficiary of that growth.

Although its dominance of the market weakened in the face of fierce competition, the company has bounced back recently to take its share of the market back above 50 per cent.

Given the high stakes of investing in mobile communications and the pressures facing DoCoMo as market leader, raising funds through a listing will make an important contribution to *realising its ambitions*

DoCoMo has also benefited from Japanese regulation, which limited national coverage to DoCoMo alone. When competitors IDO and DDI were allowed into the cellular phone market, their coverage was restricted to eastern and western Japan, respectively (although *IDO* and DDI have since tied up to provide national "roaming" services).

DoCoMo's relationship with NTT, which owns 95 *per cent of the shares,* gives it a strong brand, marketing power and high quality servicing, notes *HSBC James* Capel's Mr Haskins – although its competitors complain that the company has the unfair advantage of controlling the PDC standard, Japan's cellular phone standard developed largely by NTT.

Nevertheless, the company could be facing a turning point in the next few years, as the market changes. Japan's cellular market is expected to continue expanding strongly, with industry estimates putting the market at 45m subscribers by 2000 – double the current level – and penetration at about 36 per cent.

The total value of the mar*ket could rise from* Y1,450bn last year to Y4,760bn by March 2001, according to Gold*man Sachs'* Mr Gan.

The dramatic surge in the market has raised concerns that the industry will run out of capacity in the near future. IDO and DDI have teamed up to invest in next-generation technology which allows more efficient use of *frequency. They believe this* will allow them to overcome DoCoMo's lead.

In response, DoCoMo is planning to develop even more advanced technology, *to provide improved data* communications. But it is likely to be years before this *technology is commercially* viable and, in the meantime, DoCoMo will need to invest in expanding and enhancing its digital network, Mr Haskins points out.

Given the high stakes of investing in mobile communications and the pressures facing DoCoMo as market leader, raising funds through a listing will make an important contribution to realising its ambitions.

Michiyo Nakamoto

Annual results for Lippo units revised upwards

By Manuela Saragosa
in Jakarta

Audited results at Lippo Life and *Lippo Securities,* two of Indonesian Lippo Group's listed units, showed 1996 net income was much higher than previously reported, after accounting regulations required the companies to book one-time gains immediately rather than over an extended period.

Lippo Life's net income rose 300 per cent on 1995 to Rp67.2bn ($27.6m), compared with the unaudited net income figure for 1996 of Rp48.8bn, announced earlier this year.

Net income at Lippo Securities was Rp45.7bn in 1996, up from the Rp40.4m unaudited net income it reported more than a month ago.

Independent auditors said Lippo Life and Lippo Securities had to recognise gains made from last year's controversial sale of shareholdings between Lippo Group companies in their 1996 profit and loss accounts.

Under the restructuring, Lippo Securities lifted its stake in Lippo Life from 4.9 per cent to 32 per cent, while Lippo Life increased its holding in Bank Lippo to 40 per cent.

Analysts believe Lippo Life and Lippo Securities were planning to book the gains over 1997 to boost earnings growth ahead of *planned rights issues.* Lippo Securities is scheduled to raise an estimated Rp1,000bn, and *Lippo Life* plans to raise Rp600bn to Rp700bn in issues this year.

Cash raised would help pay off the promissory notes taken out on Lippo Securities' acquisition of a stake in Lippo Life and to fund Lippo Life's expansion plans.

The restructuring sparked concern because Lippo Group's founding shareholders, the *Riady family,* were set to receive between Rp800bn and Rp900bn from the *sales, leading to* accusations that they were cashing out of their companies.

However, Lippo Group's management has pledged to reinvest proceeds from the *purchases* into the planned rights issues.

ASIA-PACIFIC NEWS DIGEST

APAC tipped to win airport bid

Speculation mounted yesterday that Australia Pacific Airports Corporation, a consortium which includes BAA, of the UK, would emerge as the successful bidder for Melbourne Airport, one of three airports being privatised by Australia's federal government. A spokesman for Mr John Fahey, the federal finance minister, insisted that no final decisions had been taken. Earlier this week, Mr Fahey said the sale process was close to a conclusion.

The APAC consortium – which includes the AMP group, Australia's biggest life assurer, and Axiom, the fund management group – declined to comment, citing confidentiality agreements which formed part of the bidding process. Other groups known to be interested in the Melbourne property are the Victorian Airports consortium – which includes Manchester Airport, Serco, Macquarie Bank, National Mutual and the City of Melbourne – and a partnership between the Lend Lease and Brambles groups.

The other two airports in the current tranche of sales are Brisbane – for which a consortium including Schiphol, the Dutch airport, and Australia's *Commonwealth Bank has been tipped as the favourite* – and Perth. A shortlist of six consortia is contending for the three properties.

The federal government plans to sell all 21 airports owned by the Federal Airports Corporation, including Sydney. The first three properties are expected to raise A$2bn-A$3bn (US$1.6bn-$2.3bn), although some estimates have suggested the final figure could be even higher.

Nikki Tait, Sydney

Lihir sees gold by end of month

Lihir Gold, which is developing the Lihir goldmine in Papua New Guinea, said yesterday it had begun *processing oxide ore on* schedule, and that it expected to produce its first gold before the end of this month. It added that total production for 1997 was estimated at 175,000 *ounces.*

By the end of the decade, annual production at Lihir is expected to top 660,000 ounces a year. Yesterday's news took the *shares four cents* higher, to A$2.34. Shareholders in Lihir include London-based RTZ-CRA, Niugini Mining and the Papua New Guinea government. *Nikki Tait*

Tranz Rail ahead at NZ$20.6m

Tranz Rail Holdings, the New Zealand transport group, lifted earnings from NZ$14.4m to NZ$20.6m (US$14.5m) for the first three months to March 31, as a result of shrinking operating costs and a lower interest bill following last year's global share offer. The company, which is controlled by Wisconsin Central *of the US, said* it increased profits by NZ$11.4m to NZ$44.7m in the nine months to March 31.

Revenue from freight and passenger rail and ferry services totalled NZ$435.1m, against NZ$430.9m, because of higher volumes and growth in tourist numbers. *Directors said competition remained strong, leading to* downward pressure on freight rates, and that continuing softness in the New Zealand economy could lead to reduced earnings in the final quarter.

Terry Hall, Wellington

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Sales of Dutch gas to European markets drops 21% because of warm winter weather

Spending falls at Royal Dutch/Shell

By Robert Corzine

Royal Dutch/Shell yesterday surprised analysts by reporting lower capital expenditure in the first quarter in spite of promises to begin drawing down its £8.9bn ($14.4bn) cash mountain by investing more in new projects.

The company said shareholders should not read too much into the fact that capital expenditure and exploration costs for the first three months of the year fell 7 per cent to £1.4bn. It noted that there were often timing problems with large projects on which Shell concentrates.

Increases in spending on exploration and production and marketing were more than offset by reductions in refining and chemicals.

Analysts were also cautious in drawing too many conclusions from a single quarter's figures. But they said the lower capital expenditure highlighted one of Shell's main problems: that of finding cost-efficient investment opportunities on which to devote its large cash resources. Shell Canada this week acknowledged that it had limited investment opportunities when it announced a buy-back of 14 per cent of its shares.

Such buy-backs are more difficult for the parent group, given legal problems in the Netherlands and potential tax inefficiencies in the UK. But analysts thought the Shell Canada programme might signal a more generous approach in future to profit distributions.

Current-cost net income excluding special items was £1.54bn, 1 per cent up on last year's £1.53bn. The steady result was achieved in spite of a 21 per cent fall in sales of Dutch gas to European markets due to unseasonably warm weather on the European continent this winter. Shell's first quarter results are heavily geared to European gas sales.

Ashley Ashwood

Cor Herkstroter, president of Royal Dutch Petroleum

Exploration and production profits were up 3 per cent to £996m, although higher oil prices were offset by lower gas sales.

Crude oil prices declined steadily in the first quarter, although the average price of $21.20 was $2.60 a barrel higher than a year ago.

The company warned, however, of possible short-term price weakness because supplies were likely to exceed demand.

Refining and marketing results were badly hit by "adverse swings" on inventories, with profits down 41 per cent to £382m. Shell warned that refining margins were also likely to remain under pressure.

Chemical margins were also lower but cost reductions helped lift profits worldwide by 12 per cent to £184m (£165m). The company predicted the "modest recovery" in the sector "may continue in the second quarter".

The return on capital employed for the year to March was 11.8 per cent. That was lower than the 13.2 per cent recorded last time, which Shell said benefited from record first quarter earnings. Top industry performers are about the 15 per cent level.

Shell's total debt was £7.8bn, with the debt ratio at 15.9 per cent.

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Wickes share price rises as sales improve

By Christopher Price

Shares in Wickes rose 8 per cent yesterday after the restructured DIY group confirmed that its positive sales performance since the start of the year was continuing.

The news, given to shareholders at the annual meeting, follows the announcement that Wickes had sold its continental operations.

The shares closed up 12½p at 160p.

Mr Michael von Brentano, chairman, told the AGM that like-for-like sales had risen by 14 per cent in the 17 weeks to April 26, improving on the 13 per cent increase for the first nine weeks of the financial year announced with the preliminary results.

Mr Bill Grimsey, chief executive, said total sales had risen 20 per cent in the latest period. Like-for-like sales up to Easter, which came earlier this year, were 18 per cent ahead.

"Although we are not getting excited, we are on course for returning Wickes back to profitability in the future," he said – but refused to predict when that might be.

Wickes announced pre-tax losses of £55.7m ($90.23m) for 1996, in line with forecasts made at the time of its £53.2m rescue rights issue in December. The funding move followed the discovery that profits had been overstated by £50m. The Serious Fraud Office is still investigating matters relating to Wickes' affairs under its former management.

Following the disposal of the French, Belgian and Dutch DIY operations to Bricorama, the French DIY group, Mr Grimsey said group debts would be reduced from £24m to about £14m. The 39-store Continental business reported pre-tax losses of £12.3m for 1996. Wickes has previously disposed of its South African and US interests.

Mr von Brentano said the board had approved an overhaul of the group's information technology systems to enhance the retailer's performance.

Lex, Page 22

Killik and Jupiter sever Regan links

By Norma Cohen, Robert Wright and Clay Harris

Another of Mr Andrew Regan's City supporters turned its back on him yesterday, and said it had been persuaded to invest in his Lanica Trust and Galileo companies largely by the "pedigree" of its advisers and other backers.

Killik & Co, a firm of private client stockbrokers which had also backed Hobson, Mr Regan's previous company, said it was severing all links with him. When Lanica and Galileo shares were bought on behalf of 200 Killik clients, partners and staff, "no one within the firm was aware of the business to be acquired", it said.

The purchases were made in December and Killik was only informed of Mr Regan's intentions to bid for the Co-operative Wholesale Society in January. His plan collapsed last week.

Lanica's shares were suspended from trading on February 10 and the CWS has asked the stock exchange to investigate whether any purchases were based on inside information.

Killik said: "No one within the firm has seen any CWS confidential documents, nor were they aware that such documents were in circulation until this issue became public". It had been "strongly influenced to recommend investment in Lanica Trust/Galileo by the pedigree of Lanica's advisers and other backers".

Lanica's investment banker was Hambros, its stockbroker was was James Capel and two other leading shareholders were Schroder Investment Management and Jupiter Asset Management.

Yesterday, Jupiter Asset Management also said it was severing its links with Galileo. "We will not be pursuing any further business activities with Mr Regan," it said. However, Jupiter said it was not its policy to discuss which confidential documents, if any, it had seen.

Earlier this week, Schroder said it had not seen any confidential CWS documents and that it "deplored the use of any illegal or improper practices".

In the High Court last week, Jupiter – but not Killik or Schroder – was named in Mr Regan's affidavit as a recipient of confidential CWS information.

Hambros and Travers Smith Braithwaite, the law firm acting for Galileo, led the desertion from Mr Regan, "unreservedly" apologising to the CWS on Monday. They made a substantial financial settlement.

The CWS is pursuing legal action for damages against Galileo, Lanica, Mr Regan, his business partner Mr David Lyons, and Mr Allan Green, the retailing chief sacked by the CWS last week after admitting giving confidential documents to the would-be bidders.

● Mr Alan Prescott has been appointed deputy chief executive of the CWS.

Barr & Wallace leisure auction

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Barr & Wallace Arnold Trust, which has been negotiating to sell its leisure division, is to auction the business after receiving a number of approaches.

However, the company also said yesterday that negotiations with Leisureplus, the holding company of Shearings, Britain's largest coach holiday operator, will continue.

Shearings has offered some £34m ($55m) for the leisure business, which has coach holiday operations second in size to its own. It has just completed due diligence and was told last week by the Office of Fair Trading that the proposed merger did not qualify for investigation.

Mr Richard Bell, finance director at Barr & Wallace Arnold, said: "While Leisureplus's offer was on the table and the board was advised that it was fair and reasonable, so many people made approaches that the board decided it ought to explore them."

"We are not amused at all," said Mr Mark Wordsworth, a director of NatWest Ventures, which has a majority equity stake in Shearings. "It is very unusual for a public company to accept an offer and then say it is conducting an auction." But Shearings' offer remained on the table, he added.

Mr Bell said it had not conducted an auction earlier because it had been approached by Shearings "and we didn't realise the amount of outside interest".

The proposed sale to Shearings has been strongly opposed by some staff. They fear job losses and called for an auction in a circular to shareholders. Mr Bell said the board was mindful of the staff's opinions, but they would not have decided to conduct an auction had it not been for the outside interest.

Mr Robert Barr, chairman of the leisure division, will lead a management buy-out bid. The outcome of the auction is expected to be announced next month.

Etam revamp damps shares

By Christopher Price

Etam, the troubled womenswear group, yesterday announced far worse annual losses than had been expected and unveiled plans to revamp all 216 of its stores.

Fears of a rights issue or increased indebtedness to fund the investment together with the disappointing results left the shares down 7 per cent at 124½p.

The group reported annual pre-tax losses of £5.37m, which were some £2m more than forecast by analysts, against profits of £152,000 in the previous year. Turnover for the year to January 25 declined 7 per cent to £187m.

Etam's troubles began in 1995 when sales and margins suffered in the face of stiff competition from other womenswear groups.

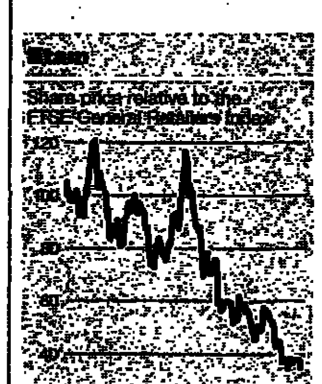
Mr Stanley Lewis, the group's chairman and largest shareholder, who brought in fresh management to revamp the ailing group in 1995, said the new store format was the "vitally important next step". Five stores would be given trials over the summer and, if successful, the rest would be rolled out over the next two to three years.

Mr Nick Hollingworth, managing director, refused to disclose how the company would fund the investment. Etam's gearing rose from 5 per cent to 13 per cent during the year.

matter.

Sales in the first half had fallen 12 per cent, but the second half decline was only 3 per cent. Like-for-like sales in the last six months were flat.

Mr Hollingworth said the improving sales position had been underpinned by changes to the group's management, merchandising, stores and marketing. In particular, there had been significant investment in information technology.



Enviromed disposal provisions

By Roger Taylor

Mr Ron Zwanziger, chairman of Enviromed, the healthcare company, yesterday said its disposal programme was well advanced but added it might have to make further provisions against losses on sales.

Talking at the company's annual meeting, he outlined plans to dispose of all Enviromed's lossmaking businesses and concentrate on Biozyme, the profitable supplier of enzymes.

On Wednesday the company announced the sale of its Eurolabs subsidiary to Chemex International for £135,000 ($218,700).

Yesterday it said it was in the final stages of negotiations to sell its heavy metal sensor business and that discussions were progressing on the sale of one of its two day surgery units.

Mr Zwanziger said that the company planned eventually to refinance its debt with a share issue but his first priority was to settle the myriad of lawsuits in which it was embroiled.

Peel Hunt, the company's broker, said it expected a small profit from its ongoing businesses in 1997 but that losses on disposals could cancel this out. Last year, it incurred a loss before tax of £7.6m after a £3.4m exceptional loss.

The shares fell 3p to 18p.

Mr Zwanziger took over at Enviromed after ousting the former management at an extraordinary meeting earlier this year.

LucasVarity drops auditor

By Tim Burt

LucasVarity, the Anglo-US engineering group, yesterday said it had dropped accountants Ernst & Young as its joint auditor following a review of the company's financial reporting strategy.

The motor components and aerospace equipment company, formed by last year's £3.2bn ($5.18bn) merger of Lucas Industries and Varity Corporation of the US, has invited KPMG to become sole auditor.

KPMG was previously accountants for Varity, whose senior management now dominate the LucasVarity board, while Ernst & Young acted for Lucas. "Clearly we are disappointed by this decision," Ernst & Young said yesterday. "But the company has told us that it was an extremely difficult one given the contribution that we have made since the merger."

KPMG, by comparison, expressed satisfaction at winning what it called a "normal beauty parade" for the accountancy contract.

LucasVarity announced its decision in its annual report, published yesterday.

The accounts showed that Mr Victor Rice, chief executive, received total remuneration of £402,834 between September 6 and January 31, including a £167,257 bonus and basic salary of £231,786.

Mr Rice could earn a bonus worth 80 per cent of his basic salary if the group meets its targets for economic value added – operating profits minus the cost of capital.

The former Varity chairman's contract also includes a clause under which he would be entitled to a lump sump payment of 4.4 times his basic salary in the event of a change of control at LucasVarity.

He would also receive an additional sum matching the highest bonus received in any of the three years up to such a change of control.

Similar provisions are included in the contract of Mr Tony Gilroy, chief operating officer.

Bernard Matthews issues warning

By Maggie Urry

A warning delivered at the annual meeting of lower second quarter profits knocked shares in Bernard Matthews, the poultry group, down 12½p to 127p.

Mr Bernard Matthews, chairman, told shareholders "the second quarter results are unlikely to match the very high levels achieved last year in the aftermath of the BSE crisis. This may have an adverse effect on the first half profits.

"However, we believe this to be a short term situation," he continued, "and we remain cautiously optimistic for the year as a whole". Analysts were shading rather than slashing profit forecasts, with Henderson Crosthwaite reducing its pre-tax estimate from £24.5m to £24m ($38.9m).

Sales of turkeys rose sharply after the government admitted on March 20 last year that bovine spongiform encephalopathy or "mad cow" disease in cattle might be the cause of a new variant of Creutzfeldt-Jakob disease, a fatal brain condition, in humans who had eaten infected beef. Since then, beef sales have partially recovered.

Mr David Joll, chief executive, said after the meeting that the group's sales had been "exceptionally high this time last year".

In March, when the group announced profits for 1996 of £22.6m (£18.7m), Mr Matthews said "profits to date are running ahead of the comparative period in 1996".

Mr Joll said value-added products were selling well, but it was the commodity meats side which was affected, including parts of Turners Turkeys, acquired in 1995, and Saga Foods, its Hungarian arm.

Heavy capital expenditure last year was devoted to expanding production of the value-added products. It has also suffered from high feed costs and the strengthening of sterling.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Etam	Yr to Jan 25	187	(201.8)	5.37L	(0.152♠)	6.41L	(0.37L)	0.75	July 3	0.75	1.25	1.25
Glencar ♣	Yr to Dec 31	-	(-)	1.24L♠	(0.199L♠)	2.7L	(0.56L)	-	-	-	-	-
Royal Dutch/Shell	3 mths to Mar 31	27,366	(26,040)	1,416‡‡	(1,743‡‡)	15.8‡	(19.5‡)	-	-	-	-	36.9
Utility Cable	6 mths to Feb 28	55.1	(43)	1.78	(2.25)	0.82	(1.08)	0.27	May 30	0.27	-	0.78

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Emerging	6 mths to Mar 31	99.31	(93.59)	0.168L	(0.021L)	0.34L	(0.04L)	-	-	-	-	0.4
Abtrust New Thai	Yr to Feb 28 ★	120.54	(213.58)	0.503	(0.457)	2.97†	(2.98)	1.35	June 20	1.35	1.35♦	1.35♦

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♣Irish currency. ‡‡After tax and minorities. ‡Shell only; Royal Dutch earnings were Fl 5.05 (Fl 5.15). ★Comparatives restated. †On increased capital. ♦Excludes 0.65p special.

Morgan Crucible in Japan venture

By Tim Burt

Morgan Crucible, the engineering group, yesterday said it was spending £12.4m ($20.1m) on four bolt-on acquisitions and setting up its first thermal ceramics joint venture in Japan.

The company, a leading manufacturer of industrial carbons and specialist ceramics, is bolstering its carbon activities by acquiring AGS of the US and Cupex of France, which manufacture carbon seals and commutators respectively.

It is also planning to integrate DR Energy, the UK insulating fibre business, and Manchester-based Ash Fibre into its thermal ceramics business. Together, the four businesses reported profits of £1.5m on sales of £15m last year.

Meanwhile, Morgan has signed an agreement with Nippon Steel Chemical in Japan to set up Shinnikka Thermal Ceramics, which is expected to contribute sales of about £8m in its first year's trading.

Morgan Crucible shares fell 3p to 429½p.

MANAGEMENT

John Kay

Cars and capacity

Pricing by marginal cost is a surefire recipe for going bust. But why, in practice, is this the case?

Every student of economics is taught that the essential first step in deciding the price of an item is to determine its marginal cost. But in reality, calculations of marginal costs play almost no role in business decision making.

When companies calculate the costs of the different items they sell, they use a management accounting system which allocates the total costs of the business to individual products.

And there seems to be good reason for this. Virtually every calculation by a company of its marginal costs that I have seen comes up with a figure that is extremely low. Pricing by reference to marginal cost is a surefire recipe for going bust.

But this should not be true. The same economic theory explains the relationship between average and marginal costs. That relationship is determined by the extent of economies of scale.

Marginal costs are below average costs if these costs fall as output increases, and vice versa. And, the mathematics also defines the extent of the divergence.

Suppose, for example, increasing output by a factor of five would lead to a halving of unit costs. This is an extreme case of scale economies. You might get up to this sort of figure in the manufacture of large aircraft, but not in many other businesses.

Certainly there could be no industry in which scale economies were as extensive as that and where both large and small firms survived. But even there, marginal costs would only be around 15 per cent less than average costs. If scale economies were less extreme, the divergence would be much smaller.

So why do people often come up with such low numbers? It is quite common in a manufacturing process for estimates of the marginal cost of output to be no more than half the number that management accountants would attribute to the same output through their cost allocation system.

In some network industries, like rail or telecom, where regulation and price control has made it important to reach good estimates of marginal cost, the answers that are derived are as low as 10 per cent or 20 per cent of the costs the business needs to recover in order to pay its way.

There are two explanations of this inconsistency. Each points to mistakes in the way these calculations are typically made.

The analysis that describes the relationship between average and marginal costs assumes that the firm has set its capacity correctly. If there is too much capacity, then the distinction between short and long run marginal costs becomes important.

Long run marginal cost is a measurement of marginal cost that takes account of the increased capacity that increased demand requires in the long run. Short run marginal cost simply looks at the direct costs of additional output.

If you can produce that additional output within additional capacity, then short run marginal cost appears to be very low.

> The analysis that describes the relationship between average and marginal costs assumes that the firm has set its capacity correctly

But that situation is really much less common than it seems. There are very few firms in which it is sensible to plan to run a plant at full capacity all the time. You need additional capacity to cope with fluctuations in demand, to provide for breakdowns and contingencies, to accommodate growth in demand. That security margin brings a benefit, and imposes a cost.

If you factor into your calculation the costs of eating into the security margin, you find that short run marginal cost is much higher, and is once more equal to long run marginal cost.

The reason you incur expenditure on extra capacity in the long run is that the costs of having it are less than the benefits of having that margin of flexibility in your operations.

There is an apparent paradox there. Most economists would tell you that short run marginal cost is what you should really look at in thinking about prices, and they are right.

But long run marginal costs are actually often a better guide to the true level of short run marginal costs than the calculations of short run marginal costs which are made.

Then there is a second reason why average cost seems to be higher than marginal cost. The way you usually calculate average cost is from the top down – you start with the total costs of the business and you allocate them to individual products.

But when you calculate marginal costs, you do it from the bottom up – you look at the costs of each individual element and you make your estimateby reference to that.

The first of these is typically characterised by errors of inclusion – you put too many things in. The second is typically characterised by errors of exclusion – you leave too many things out.

Take the chairman's car, for example. When you measure average costs across the business, you simply lump expenditure on that with other overhead costs and allocate them across all products the firm makes.

But no one calculating marginal costs ever thinks "if output increases the chairman will probably buy himself a bigger car and I'd better attribute some of the costs of that to the model 330 widget".

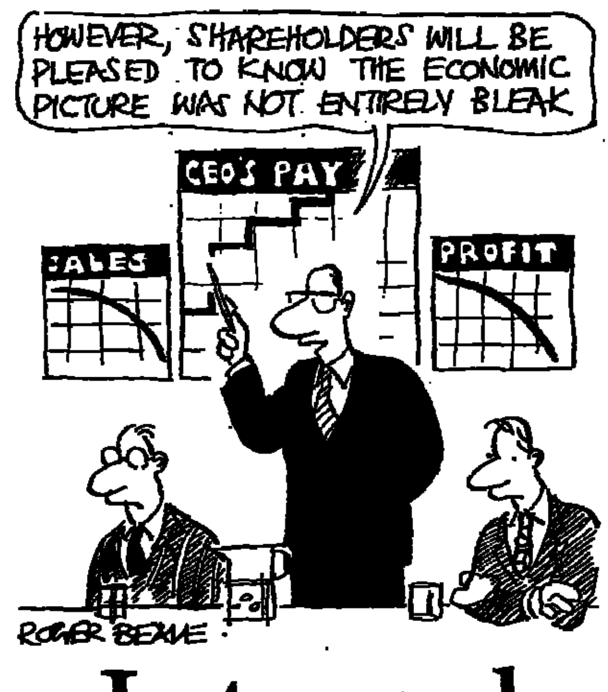
So expenditure on the chairman's car gets included in estimates of average costs and excluded from estimates of marginal cost. If common costs which are not immediately related to specific outputs are large – which is often true – then this is a major issue.

Reality, of course, lies somewhere in between. Obviously the chairman does not need a bigger car to enable the firm to make more model 330 widgets. But companies with a larger overall scale of business have – and genuinely require – a large level of these central overhead costs.

One of the helpful contributions of activity based accounting to modern management thinking is that it requires you to think much more carefully about the things that cause overhead expenditures to be incurred.

And when you do that, you include more in marginal costs, less in average costs, and the gap between the two starts to narrow. And that might start to narrow the gap between accountants and economists as well.

John Kay is a director of London Economics and director of the School of Management Studies at Oxford University. This column appears fortnightly.



Internal damage

The executive pay row has shifted, says Tony Jackson

The argument over chief executive pay seems to be getting louder on both sides of the Atlantic. There has also been a subtle shift in the terms of reference.

In the past, the issue was seen as primarily external. Huge pay packets were represented, in the UK especially, as offensive to public opinion. Alternatively, they were or were not acceptable to shareholders.

It is now increasingly common for management theorists to talk of internal effects; that is, of damage done within the organisation.

US research suggests, for example, that companies in which the chief executive's salary is felt to be unfairly high suffer abnormally high staff turnover.

A new piece of research* from the Wharton business school takes the theme further. Companies which pay their chief executives too much, it seems, typically perform badly in terms of profits and share price.

The study says the problem is one of corporate governance. Statistically, there is a clear link between chief executive pay and weak boards of directors. The more excessive the pay, the greater the likelihood that the chief executive is also chairman, the board is too large and that the directors are old and were appointed by the chief executive.

There is also a link with the shareholding structure. Chief executives tend to get paid less the more stock they own. They are also paid less in cases where an outsider – or another board member – owns a block of 5 per cent or more of the equity.

The study concludes that excess compensation is not so much a cause of poor economic performance as a symptom of a deeper malaise. Companies in which the chief executive can get away with a whopping salary suffer, in the economic jargon, from agency problems; the boss's interests are not in line with those of the shareholders.

At the same time, the weakness of the board means shareholders cannot address the problem. Furthermore, if the company is inefficient at striking a deal with the chief executive, it is probably making similar mistakes elsewhere in its operations.

The problem is evidently not a new one. The study took as its starting point a sample of 205 quoted US companies, and examined the chief executive's compensation in 1982-84.

This had two advantages. First, chief executive pay had not yet become a contentious issue in the early 1980s, so there was less risk of distortion. Second, the subsequent performance of the companies could be measured over longer periods.

The sample consisted mostly of large corporations, with average revenues – in 1984 dollars – of more than $3bn. The total compensation of chief executives averaged $800,000.

Excess compensation was defined as being higher than could be expected on purely economic grounds. The study worked out what the chief executives should have earned in terms of the size, complexity and risk of the operation.

The study then looked at each company's pre-tax return on assets, and the return to its stockholders, over periods of one, three and five years. Sure enough, the higher the excess compensation, the worse the performance on both counts.

This has wide-ranging implications. For instance, portfolio investors might find it worth their while to compile rankings of chief executive pay.

The tricky bit, of course, is judging when chief executive pay is excessive and when it is justifiably high. If in doubt, there is a simple test. Look at the composition of the board. If it is made up of the boss's elderly cronies, steer clear of the shares. If you are a shareholder already, start asking awkward questions before it is too late.

**Corporate governance, CEO compensation and firm performance, by John E. Core, Robert W. Holthausen and David F. Larcker, The Wharton School, University of Pennsylvania.*

An invitation to insight

Chief executives of Europe's largest businesses can shortly expect to receive invitations to participate in the 1997 survey of Europe's Most Respected Companies, the annual peer group study conducted by the Financial Times in association with Price Waterhouse.

As well as providing an insight into which companies and individuals are judged by Europe's leading managers to be outstanding performers, the survey is also designed to find out which characteristics are thought to lie behind such success, and which issues are most likely to affect competitiveness and the business environment.

Questionnaires for the survey will be sent to chief executives in more than 20 countries during May and the results will be published in a special section due to appear with the September 24 issue of the FT.

For further information, write to Europe's Most Respected Companies Survey, Financial Times, One Southwark Bridge, London, SE1 9HL.

EUROPE'S MOST RESPECTED COMPANIES
FT FINANCIAL TIMES
In association with
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THE PROPERTY MARKET

Parisian progress

Andrew Jack detects strong signals of a revival

Source: Bourdais

With only the slightest hesitation, Mr Christian de Kerangal, director of research at Bourdais, the French property specialist, gives a single word response when asked whether the time has come to reinvest in Paris: "Yes."

After more than six years of plummeting property prices, which had a devastating effect on the profits and balance sheets of many French companies, a growing number of observers are beginning to see signs of improvement.

One of the strongest signals came late last month when Compagnie Générale d'Immobilier et de Services (CGIS), a subsidiary of the conglomerate Générale des Eaux, sold five towers and an option on a sixth in the modern La Défense office complex to the west of Paris.

At FFr4.2bn (£440m), it was the single largest property transaction in many years in the country, and demonstrated the confidence in the market of Canadian purchaser SITQ, a subsidiary of the Caisse de dépôt et placement du Quebec.

But it came after two other very significant disposals by CGIS last year to US investors: FFr3.2bn for three buildings in construction to a subsidiary of Philip Morris; and FFr1.5bn for the Tour Descartes in La Défense to Blackstone. Overall, Bourdais estimates that total investment in French property in 1996 was FFr12bn, up from just FFr3.3bn in 1995.

Furthermore, in September last year, the French property developer Unibail announced the creation of the aptly named Crossroads Property Investors, a Luxembourg-based fund designed to invest up to FFr5bn in the French market for foreign investors – more than half of which are US institutions.

Some argue that recent deals have been driven more by the necessity to sell than rising demand from buyers. CDR, for example, is charged under the terms of the government's restructuring plan with disposing rapidly of assets including property formerly amassed by the state-owned banking group Crédit Lyonnais.

Equally, the holding company Suez has pledged to withdrew entirely from property by 2001. And CGIS itself is responsible for implementing the objective of the new chairman of Générale des Eaux to reduce the high levels of group debt and to cut its property exposure.

However, Mr Stéphane Richard, chairman of CGIS, stresses that demand has driven his company's transactions. "Over the last 18 months, there has been very strong interest from Anglo-Saxon investors in Paris and La Défense. We think we are at the bottom of the cycle, rents are stable, yields are up and so investors are looking to take important positions."

He argues that the trend is driven partly by the characteristics of US funds: they use a small amount of shareholders' funds to leverage high borrowings to drive up their return on equity, and given the interest rates and the upswing in their domestic market, they are increasingly seeking opportunities in foreign markets.

Mr de Kerangal highlights growing indications of tightening supply for office space in Paris, with demand rising for the fifth year in succession and supply beginning to shrink. In the past three years, more than 250,000 sq m of older offices have been converted into housing. At the start of 1997, he estimates that there were only six office buildings available across the city offering more than 10,000 sq m each.

His figures are supported by those of Knight Frank, the London-based chartered surveyors. Mr Steve Mallen, head of research, says that the office vacancy rate across the Ile de France region is 10.3 per cent, but only 27 per cent of the 4.4m sq m theoretically available is in new buildings. Much is concentrated in old, cramped buildings which are of decreasing interest.

Expanding French companies are becoming increasingly willing – or forced – to shift their operational activities away from the middle of Paris, while often guarding a prestigious central address for their top directors.

But they still want to be within the walls of the city, or in close proximity, and in locations that are well served by public transport.

Club Méditerranée, the holiday village company, recently regrouped all its offices in the 19th arrondissement, for example. While Crédit Lyonnais has moved its main directors back into the headquarters which were badly damaged by fire last year, other operations have been shifted to Bercy in eastern Paris and to La Défense.

And while Andersen Consulting recently moved to the Champs Elysée and its sister organisation Arthur Andersen shifted to Neuilly, the bank Société Générale has moved its entire operations to a purpose-built twin tower in La Défense.

If physical property transactions have caught the eye in the past few months, deals concerning property lending portfolios have been equally important.

Whitehall, the Goldman Sachs-managed investment fund, was the lead investor in a FFr745m acquisition from Crédisuez and a FFr3.2bn portfolio from the insurer UAP last year. Then in January this year, it acquired a further FFr4.4bn in loans from Crédisuez.

Such large-scale deals have raised some criticism of "vulture funds" in France. But Mr de Kerangal argues that a new type of longer-term investor is now beginning to study the potential of the Paris market, such as German pension funds.

Even so, progress remains uncertain. Mr Léon Bressler, head of Unibail, says that although his fund was swamped with demand from shareholders, it has yet to make any investments in the French property market for the sake of prudence.

He stresses the fundamental importance of the economy as central to any upswing in property prices. And at the moment, the prospects remain sluggish, with little sign that there will be a rapid increase in the coming years.

Potential investors might draw hope from the latest pledges of Mr Alain Juppé, the prime minister, who during the election campaign earlier this week offered to cut the country's punitively high property transfer taxes, in a move which could boost the volume of transactions.

But they will be equally concerned about what more general measures he – or the opposition leftwing socialist party if it wins – could do to help boost activity in the French economy.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

	Provisional Price for 02.05.1997	Final Prices for Trading 04.04.1997		
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	14.47	19.69	19.99	0.77
0100	13.88	11.61	11.61	0.00
0130	13.88	11.65	11.65	0.77
0200	13.88	25.00	25.30	0.77
0230	13.88	42.68	42.98	0.77
0300	13.88	42.68	42.98	0.77
0330	13.88	25.00	25.30	0.77
0400	11.61	19.63	19.93	0.77
0430	11.60	19.63	19.93	0.77
0500	11.59	19.63	19.93	0.77
0530	11.58	24.58	24.88	0.77
0600	11.58	24.58	24.88	0.77
0630	11.60	24.58	24.88	0.77
0700	11.63	24.58	24.88	0.77
0730	19.94	25.10	25.40	0.77
0800	23.49	25.43	25.73	0.77
0830	24.88	25.43	25.73	0.77
0900	24.88	27.55	27.85	0.77
0930	24.88	30.45	30.75	0.77
1000	24.88	42.39	42.64	0.77
1030	24.88	42.34	42.65	0.77
1100	24.88	42.34	42.65	0.77
1130	26.25	42.34	42.65	0.77
1200	26.25	30.46	30.77	0.77
1230	24.89	30.46	30.76	0.77
1300	24.88	30.45	30.75	0.77
1330	24.38	30.44	30.74	0.77
1400	23.49	27.55	27.85	0.77
1430	23.49	28.62	28.92	0.77
1500	22.84	28.62	28.92	0.77
1530	22.84	28.61	28.92	0.77
1600	19.94	25.43	25.73	0.77
1630	20.82	25.43	25.73	0.77
1700	32.13	25.10	25.40	0.77
1730	32.13	25.43	25.73	0.77
1800	20.82	25.43	25.73	0.77
1830	19.94	25.10	25.40	0.77
1900	19.94	11.65	11.65	0.00
1930	19.94	11.65	11.65	0.00
2000	11.61	11.68	11.68	0.00
2030	11.62	52.28	52.58	0.77
2100	14.88	52.28	52.58	0.77
2130	57.78	25.43	25.73	0.77
2200	57.78	25.43	25.73	0.77
2230	31.97	25.43	25.73	0.77
2300	14.88	25.10	25.40	0.77
2330	11.62	24.58	24.88	0.77
2400	11.61	11.65	11.95	0.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the Pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 8798 between 8:30am and 5:15pm Monday to Friday.

INTERNATIONAL CAPITAL MARKETS

Gilts edge higher ahead of poll result

GOVERNMENT BONDS

By Michael Lindemann in London and Tracy Corrigan in New York

UK gilts edged upwards yesterday but, as traders prepared for an all-night dealing session, many felt they had seen most of the bounce in the gilts market.

"We saw the euphoria on Wednesday," said Mr Richard Iley, UK economist at ABN Amro Hoare Govett. "I think we have seen all the reaction we are going to get." The long gilt future settled at 110$\frac{25}{32}$, up $\frac{1}{16}$.

Mr Steve Andrew, UK analyst at Merrill Lynch, said the gilts market had "somewhat prematurely" plumped for a "significant" Labour majority. He added, however, that if Labour's majority exceeded 100 seats, the market was likely to see a further "cautious" rally.

However, such a rally was not likely to be full-blooded, he said, because sentiment was still very mixed about Mr Gordon Brown's first moves as the UK's probable new chancellor.

Mr Brown might well resist an increase in interest rates because that would hurt UK exporters, already under pressure from the surge in sterling since last September. Instead, Mr Andrew said, the new chancellor might focus on fiscal measures aimed at a more buoyant service sector.

"The disadvantage with an interest rate rise is that it would hit the manufacturing sector, and that is quite obviously not growing at the same rate as services," he added.

The policy options were likely to have crystallised by mid-June, Mr Andrew said, and gilts could begin a sustained rally, with the 10-year yield spread of gilts over bunds tightening from yesterday's level of 178 basis points to 130 basis points during the summer.

However, Mr Iley took a more cautious view of the gilts rally. The spread over bunds was likely to remain at about 175 basis points going into June and would tighten to around 155 points by the year-end, he said.

The mini-budget, expected in early June, was not likely to contain much beyond details of the windfall tax on utilities and whatever "fiscal fireworks" Mr Brown had in mind were likely to be saved for the autumn or even next year, Mr Iley said.

"[Labour's] room for fiscal manoeuvre is going to be very limited given the pledges they have made during the election," he said.

Moreover, he argued that fiscal policy would not be enough to damp growth in the UK economy. "Fiscal policy is quite a clumsy tool to slow demand. The orthodoxy is that monetary policy is the only tool to fine tune the economy."

But any rise in interest rates was likely to be modest, Mr Iley said, because "Labour needs growth if its ambitions are not going to turn into frustrations."

Rates were likely to rise to 6.5 per cent and would remain there throughout 1998, he said, while Labour could well let inflation rise to an annual rate of about 4 per cent.

US bond market investors, meanwhile, appear to be increasingly willing to believe that strong economic growth does not automatically bring inflation, judging by their reaction to a spate of economic data this week.

US Treasury prices again rallied yesterday morning after the National Association of Purchasing Management's April report showed a slight fall to a still strong 54.2 per cent reading, slightly above expectations. The report also showed strength in its new orders index, which fell to 57.9 per cent from 60.3 per cent.

"There has obviously been a change in sentiment," said Mr Kevin Logan, senior market economist at Dresdner Kleinwort Benson. "This started with the lower than expected employment costs index earlier in the week, which dulled apprehensions that inflationary pressures might spark a series of interest rate rises by the US Federal Reserve.

Since then, gross domestic product data have shown that first-quarter growth is very strong, but many analysts are taking the view that the inventory build-up evident so far this year is not likely to continue, so growth may slow. Moreover, said Mr Logan, these days "strong growth doesn't mean inflation, so people aren't worrying about it".

In morning trading yesterday, 30-year Treasury prices rose $\frac{3}{8}$ to 96$\frac{7}{32}$ to yield 6.92 per cent and two-year Treasuries were $\frac{1}{16}$ higher, yielding 6.239 per cent.

The market was also buoyed by speculation that Congressional leaders were near to agreement on the budget, after Mr Thomas Daschle, Senate minority leader, said a budget deal could come that day, though he added that negotiators are trying to close gaps of \$10bn to \$50bn on several issues.

But, while stronger sentiment has pushed yields back below 7 per cent, it is not clear that the market will have sufficient impetus to push them lower.

"A lot of money is being forced into the market. [Investors had] let cash build up and now they have to put it to work," Mr Logan said. But he added that with one more quarter-point rate rise still considered probable, a further ratcheting down of yields at this point appeared unlikely.

In recent weeks, the market has traded in a relatively narrow range, with investors eager to buy when yields rise much above 7 per cent. However, with yields back below 7 per cent, some of that enthusiasm may flag.

CSX raises $2bn in six-tranche offering

INTERNATIONAL BONDS

By Samer Iskandar and Richard Lapper

With a large number of continental European markets closed for May Day holidays, and the UK election more of a priority for London traders than primary market activity, the international bond market was all but dead for most of the day.

The session, however, was enlivened in the afternoon when CSX Corp, the US railroad group, issued more than \$2bn of bonds in six tranches – with a high likelihood these might be increased to eight. The bonds have maturities varying between two and 30 years, and the proceeds will partly be used to fund the purchase of Conrail shares.

Pricing was due to be completed during the afternoon in New York, and traders said placement was going well.

Argentina is to launch its first lira-denominated deal of the year next week, a L500bn issue of floating-rate notes.

A syndicate manager at Deutsche Morgan Grenfell, which will lead-manage the deal, said Argentina's recent fixed-rate issues had quickly become illiquid, prompting it to turn to the floating-rate sector.

Like Mexico, which also issued in lire last month, Argentina is seeking to build a yield curve in the Italian currency. It currently has outstanding lire issues with maturities of two, four, six and 10 years.

It is expected that the bonds will be priced to yield between 160 and 170 basis points over lira Libor, compared with spreads of some 180 basis points over Treasuries on the country's fixed-rate bonds in dollars.

The launch, which is expected next Wednesday, is expected to coincide with the auction locally of five-year dollar denominated debt.

These bonds, on which the spread will be some 40 to 50 basis points higher than eurobonds of the same maturity, will be clearable through Cedel and Euroclear.

● Credit Suisse First Boston and Deutsche Morgan Grenfell will be joint lead managers of Croatia's first D-Mark-denominated eurobond. The size and timing of the deal have not been revealed, but the maturity is expected to be five years.

Croatia is rated "investment grade" by the main US and European credit rating agencies – Baa3 by Moody's Investors Service and BBB– by both Standard & Poor's and IBCA.

The launch will be preceded by a road show in key financial centres.

● Gulf International Bank, a Bahrain-based wholesale bank owned by Gulf Investment Corporation, has chosen Chase Manhattan to lead its debut \$200m issue of floating-rate notes with a five-year maturity.

The bank, rated BBB+ and Baa2 by S&P and Moody's, said the issue would considerably reduce its financing costs compared with recent syndicated loans.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
CSX Corp	300	(a)#	(a)R	May 2002	-	(a1)(6⅝%-02)	Salomon Brothers
CSX Corp	300	(a)#	(a)R	May 2004	-	(a2)(7¼%-04)	Salomon Brothers
CSX Corp	400	(a)#	(a)R	May 2007	-	(a3)(WI10yr)	Salomon Brothers
CSX Corp	400	(a)#	(a)R	May 2017	-	(a4)(6½%-26)	Salomon Brothers
CSX Corp	450	(a)#	(a)R	May 2027	-	(a5)(6½%-26)	Salomon Brothers
CSX Corp(a7)	200	(a)#	(a)R	May 2027	-	(a6)(WI10yr)	Salomon Brothers
Fed Home Loan Mtg Crp(b)‡	100	(b1)	100.00	May 2007	0.30	-	Nomura International

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced later at following yield premiums over Treasuries: a1) +43–45bp, a2) +63–65bp, a3) +78–80bp, a4) +95bp area, a5) +105bp area, a6) +60bp area. a7) Puttable in 8 yrs. b) Callable from May 98 at par. b1) 3-mth Libor +39bp, max 9%.

CAPITAL MARKETS NEWS DIGEST

Global bond index shows April gains

Government bond markets gained 1.11 per cent in local currency terms in April, following a small loss in March, according to J.P. Morgan's global bond index. However, in US dollar terms, the index, which measures total returns, fell for the fifth successive month, by 0.56 per cent, mainly as a result of dollar strength following the increase in the Fed funds rate in March.

Italy and Sweden led the rally, rising by 2.61 per cent and 2.39 per cent, respectively, in local currency terms, on a renewal of hopes that European monetary union can be achieved on schedule. But in dollar terms Italy was flat, while Spain fell by 0.63 per cent.

Japan was the worst performing bond market, falling by 0.43 per cent in local currency terms and by 2.86 per cent in dollar terms. Over the year to date total returns from Japanese bonds have been negative to the tune of 6.91 per cent. "Notwithstanding positive fundamentals and technical factors, the Japanese government bond market underperformed as international investors remained underweight and the Nikkei showed signs of recovery," J.P. Morgan said.

Emerging market bonds rose in price, with total returns from J.P. Morgan's Emerging Market Bond Index up by 2.96 per cent over the month. *Richard Lapper*

Australia rating affirmed

IBCA, the European credit rating agency, has affirmed its AA long-term foreign rating for the Commonwealth of Australia. Local currency debt is rated AAA and short-term debt A1+. The rating is in line with existing assessments by the two largest US agencies, Moody's and Standard & Poor's, respectively Aa2 and AA.

"The Australian economy is now less vulnerable to the whims of the commodity price cycle, thanks to more than a decade of restructuring," IBCA said. "The last two major structural deficiencies – the large current account deficit and the inflexible labour market – are being addressed."

Economic growth in Australia has been stronger than the OECD average over the past 15 years, while the Reserve Bank, the country's central bank, has kept inflation in check, IBCA added.

However, external debt remains a heavy burden at 217 per cent of foreign exchange receipts, or 173 per cent net of foreign claims.

IBCA also affirmed the ratings of the state of Queensland, which are identical the Australia's sovereign ratings. "Queensland's economy is similar to that of Australia as a whole," the agency said. "Economic growth had outstripped that of Australia in aggregate for 11 years until 1995–96." Greater employment prospects have attracted migrants from the rest of the country. Queensland's foreign currency rating is constrained by Australia's sovereign rating, but IBCA believes that should the sovereign ceiling be raised, "there is every prospect that Queensland's will follow suit". *Samer Iskandar*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	0.0000	-	0.00	7.87	7.98
Austria		5.750	04/07	0.0000	-	0.00	5.85	5.90
Belgium		6.250	03/07	0.0000	-	0.00	6.00	6.12
Canada *		7.000	12/06	102.8500	+0.400	6.59	6.73	6.63
Denmark		8.000	03/06	110.4000	+0.560	6.42	6.57	6.80
France	BTAN	4.750	03/02	0.0000	-	0.00	4.84	4.76
	OAT	5.500	04/07	0.0000	-	0.00	5.80	5.77
Germany Bund		6.000	01/07	0.0000	-	0.00	5.91	5.94
Ireland		8.000	08/06	108.9300	+0.380	6.67	6.76	6.98
Italy		6.750	02/07	0.0000	-	0.00†	7.51	7.63
Japan	No 145	5.500	03/02	117.8036	+0.110	1.58	1.46	1.31
	No 182	3.000	09/05	104.7384	+0.150	2.33	2.16	2.26
Netherlands		5.750	02/07	100.7800	+0.720	5.64	5.78	5.84
Portugal		9.500	02/06	0.0000	-	0.00	6.82	7.10
Spain		7.350	03/07	0.0000	-	0.00	6.94	7.20
Sweden		8.000	08/07	0.0000	-	0.00	7.24	7.40
UK Gilts		7.000	06/02	99-15	+2/32	7.13	7.33	7.27
		7.250	12/07	98-28	+11/32	7.40	7.64	7.62
		9.000	10/08	111-15	+13/32	7.49	7.72	7.72
US Treasury *		6.250	02/07	98-28	+10/32	6.69	6.90	6.76
		6.625	02/27	96-05	+11/32	6.93	7.10	7.00
ECU (French Govt)		7.000	04/06	0.0000	-	0.00	6.21	6.32

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.27
Prime rate	8½	Two month	-	Three year	6.40
Broker loan rate	7¾	Three month	5.23	Five year	6.57
Fed.funds	5⅝	Six month	5.53	10-year	6.71
Fed.funds at intervention	-	One year	5.89	30-year	6.95

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 (Apr 30)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	129.02	128.96	+0.06	129.16	128.76	138,428	154,547
Sep	127.48	127.42	+0.06	127.50	127.34	3,357	8,339
Dec	97.02	96.96	+0.06	97.02	97.02	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Apr 30)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
127	2.14	1.25	1.70	0.19	0.83	1.28
128	1.33	0.74	1.17	0.37	1.32	1.74
129	0.57	0.38	0.76	0.71	1.95	2.32
130	0.23	0.16	0.46	1.27	-	-
131	0.05	0.07	0.28	2.09	-	-

Est. vol. total, Calls 13,146 Puts 22,988. Previous day's open int., Calls 112,314 Puts 140,153.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.47	101.87	+0.47	101.90	101.32	100966	274824
Sep	100.30	100.63	+0.47	100.61	100.30	2235	23375

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
10150	0.62	0.45	0.63	0.81	0.45	1.32	1.50	1.68
10200	0.37	0.30	0.45	0.63	0.70	1.67	1.82	2.00
10250	0.20	0.20	0.31	0.47	1.03	2.07	2.18	2.34

Est. vol. total, Calls 13889 Puts 17503. Previous day's open int., Calls 186310 Puts 220107

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.75	128.25	+0.63	128.40	127.63	10660	110987
Sep	127.90	128.49	+0.63	128.12	127.90	45	5747

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12800	1.05	2.49	0.80	2.00
12850	0.78	2.22	1.03	2.23
12900	0.56	1.96	1.31	2.47

Est. vol. total, Calls 1364 Puts 1262. Previous day's open int., Calls 110274 Puts 118903

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Apr 30)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.70	113.72	+0.31	113.75	113.25	63,017	73,209
Sep	-	112.88	-	-	-	44	4

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110-23	110-25	+0-08	110-29	110-16	36988	172587
Sep	110-14	110-21	+0-07	110-22	110-14	713	2314

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
110	1-20	1-40	1-59	2-12	0-34	0-62	1-17	1-34
111	0-48	1-07	1-26	1-44	0-62	1-29	1-48	2-02
112	0-23	0-43	1-00	1-14	1-37	2-01	2-22	2-36

Est. vol. total, Calls 7143 Puts 4217. Previous day's open int., Calls 65512 Puts 25088

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000 (Apr 30)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.34	94.58	+0.24	94.68	94.34	941	6,090
Sep	-	94.20	+0.24	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-13	109-16	+0-07	109-16	109-06	622,088	471,946
Sep	108-28	109-00	+0-05	109-02	108-25	5,043	44,532
Dec	-	108-15	-	-	-	324	7,746

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	125.39			125.43	125.30	1967	na
Sep	124.04			124.11	124.04	18	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu May 1	Day's change %	Wed Apr 30	Accrued interest	xd adj. ytd		Low coupon yield May 1	Apr 30	Yr. ago	Medium coupon yield May 1	Apr 30	Yr. ago	High coupon yield May 1	Apr 30	Yr. ago
1 Up to 5 years (19)	119.99	0.07	119.91	2.16	4.14	5 yrs	7.15	7.18	7.47	7.22	7.25	7.51	7.26	7.28	7.62
2 5-15 years (21)	150.95	0.21	150.63	3.30	3.12	15 yrs	7.54	7.57	8.21	7.55	7.59	8.22	7.45	7.52	8.31
3 Over 15 years (6)	172.59	0.30	172.06	5.42	3.16	20 yrs	7.63	7.66	8.28	7.59	7.62	8.28	7.46	7.53	8.34
4 Irredeemables (5)	197.58	0.54	196.53	4.70	2.37	Irred.†	7.74	7.78	8.31						
5 All stocks (51)	144.96	0.19	144.69	3.26	3.60										

Index-linked							Inflation 5% May 1	Apr 30	Yr. ago	Inflation 10% May 1	Apr 30	Yr. ago
6 Up to 5 years (2)	204.28	0.00	204.28	0.49	3.03	Up to 5 yrs	3.31	3.30	2.60	2.68	2.67	1.21
7 Over 5 years (10)	196.73	-0.02	196.76	1.42	2.32	Over 5 yrs	3.58	3.58	3.71	3.38	3.37	3.51
8 All stocks (12)	196.46	-0.01	196.49	1.32	2.37							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 1	Apr 30	Apr 29	Apr 28	Apr 25	Yr ago	High*	Low*
Govt. Secs. (UK)	94.43	94.59	93.82	93.63	93.46	92.47	95.62	93.31
Fixed Interest	117.21	117.03	116.73	116.61	116.36	112.72	120.18	115.32

Gilt Edged Activity Indices

	Apr 30	Apr 29	Apr 28	Apr 25	Apr 24
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 1

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

Dollar, sterling and punt slide

MARKETS REPORT

By Simon Kuper

The dollar fell yesterday on rumours that the Bank of Japan was intervening to boost the yen and on data showing weak US price pressures.

Sterling fell too, largely on the dollar's coattails. Yesterday's UK general election created few market jitters.

Currencies moved sharply but trading was thin, because of the Labour Day holiday in most of Europe, Golden Week in Japan, the UK election and today's US payrolls figures.

Most analysts said they thought that the Bank of Japan had at most been checking exchange rates. However, the market has been worried for weeks that Japan and possibly the US may intervene to buy yen.

The US National Association of Purchasing Managers' survey for March also hit the dollar. The main NAPM index was slightly stronger than forecast, but the prices index fell below the key 50 level to 49.6. That followed other soft US price data, reducing prospects of a rate rise this month.

The dollar's slide fed on itself, by triggering options-related stop-loss selling.

The dollar fell 1.2 pfennigs against the D-Mark to DM1.719 and Y0.6 against the yen to Y126.3. The Canadian dollar firmed against the dollar on reduced prospects of a US rate rise. The Bank of Canada, which often buys its own currency in the market, this time sold the Canadian dollar. The pound fell 1.9 pfennigs against the D-Mark to DM2.791.

The Irish punt plunged further, but steadied when the Central Bank of Ireland raised interest rates by 50 basis points after the London close. The short term facility rate rose to 6.75 per cent, and the overnight deposit rate to 3.50 per cent.

The punt has lost more than 10 pfennigs to the D-Mark since late on Tuesday when the Central Bank ceased intervening to prop up the currency. The punt had been under pressure since April 15, when Mr Ruairi Quinn, Irish finance minister, said he would like it to drop against the D-Mark to nearer DM2.411 – its central rate in the European exchange rate mechanism.

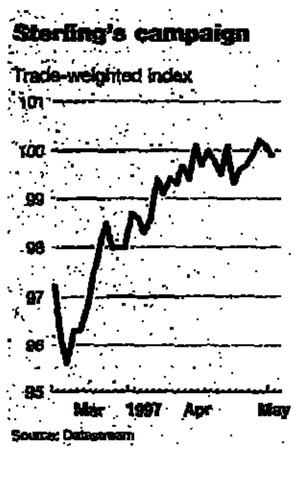
Mr Adrian Schmidt, senior economist at Chase in London, said the rate rise was not meant to defend the punt. "Ireland has long wanted to raise rates in response to the strength of the domestic economy, but the punt's strength within the ERM had prevented it."

■ Pound in New York

May 1	—Latest—	– Prev. close –
£ spot	1.6240	1.6245
1 mth	1.6232	1.6237
3 mth	1.6213	1.6219
1 yr	1.6138	1.6150

Sterling's campaign

Trade-weighted index



Source: Datastream

■ The Group of Seven seems to have halted the dollar's rise against the yen for the moment. The communiqué after Sunday's Washington summit, and threats from Japan since then, have scared the market about possible intervention to boost the yen. The fear, said Mr Robin Aspinall, chief economist at National Australia Bank in London, is that "one of these days when people try to push the dollar higher again somebody very big is going to come out and jump on them." Nerves grew early yesterday after the dollar rose to Y127.47 to the yen.

Mr Mark Cliffe, chief international economist at HSBC Markets in London, predicts in his "Good Intervention Guide" that intervention will come when one key economic fundamental turns against the dollar: namely, trade, the only fundamental mentioned in the Washington statement. When the weak yen created export-led growth in Japan at the expense of the US economy, dollar sales might start, Mr Cliffe said.

■ OTHER CURRENCIES

May 1	£	$
Czech Rp	49.9841 - 50.0575	30.7860 - 30.8160
Hungary	294.878 - 295.105	181.620 - 181.670
Iran	4873.20 - 4870.80	3000.00 - 3000.00
Kuwait	0.4941 - 0.4945	0.3043 - 0.3044
Poland	5.1335 - 5.1396	3.1620 - 3.1640
Russia	9351.94 - 9359.79	5760.00 - 5762.00
U.A.E.	5.9602 - 5.9664	3.6710 - 3.6730

■ The pound has had a marvellous election campaign. It gained 2.5 per cent during it, despite plummeting 3.7 pfennigs against the D-Mark on March 17, the day the election was called. There have been few jitters since, with scant effect from rumours yesterday that the Conservatives were doing unexpectedly well in marginal seats and that Labour had cancelled next week's monetary meeting with the Bank of England governor.

As ABN-Amro phrased it in yesterday's treasury market report: "Rumours circulated in the market that there would be a UK general election today."

Mr Chris Turner, currency strategist at BZW in London, cited three reasons why sterling confounded its electoral history this year. Traders always felt certain that Labour would win; they did not mind this; and relatively high UK yields boosted the pound.

POUND SPOT FORWARD AGAINST THE POUND

May 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6426	-0.1327	345 - 510	19.8384	19.6335	19.5893	2.7	19.5428	2.0	-	-	103.5
Belgium	(BFr)	57.6009	-0.3584	517 - 500	58.1520	57.5510	57.4759	2.6	57.2159	2.7	55.8909	3.0	103.3
Denmark	(DKr)	10.6215	-0.0734	172 - 257	10.7313	10.6145	10.5995	2.5	10.556	2.5	10.346	2.6	106.2
Finland	(FM)	8.3814	-0.062	732 - 895	8.4710	8.3730	-	-	-	-	-	-	82.7
France	(FFr)	9.4274	-0.0427	234 - 313	9.5006	9.4037	9.4053	2.8	9.3616	2.8	9.1445	3.0	106.2
Germany	(DM)	2.7909	-0.0189	898 - 920	2.8191	2.7875	2.7843	2.9	2.7708	2.9	2.704	3.1	105.0
Greece	(Dr)	444.237	-2.092	039 - 438	447.922	442.819	-	-	-	-	-	-	65.5
Ireland	(I£)	1.0882	+0.0079	862 - 902	1.0964	1.0835	1.0879	0.3	1.087	0.4	1.0804	0.7	98.1
Italy	(L)	2764.78	-12.91	223 - 733	2787.23	2762.00	2768.18	-1.5	2773.03	-1.2	2775.83	-0.4	76.1
Luxembourg	(LFr)	57.6009	-0.3584	517 - 500	58.1520	57.5510	57.4759	2.8	57.2159	2.7	55.8909	3.0	103.3
Netherlands	(Fl)	3.1406	-0.0204	389 - 422	3.1711	3.1371	3.1325	3.1	3.1167	3.0	3.0412	3.2	102.8
Norway	(NKr)	11.5025	-0.0517	990 - 059	11.5983	11.4722	11.478	2.6	11.4295	2.5	11.204	2.6	99.5
Portugal	(Es)	280.465	-1.454	233 - 696	282.804	280.141	280.605	-0.6	280.89	-0.6	-	-	94.5
Spain	(Pta)	235.878	-1.143	714 - 042	237.570	235.700	236.011	-0.7	235.878	0.0	234.403	0.6	78.0
Sweden	(SKr)	12.6994	-0.0307	901 - 087	12.7765	12.6900	12.6804	1.8	12.6409	1.8	12.4449	2.0	83.3
Switzerland	(SFr)	2.3808	-0.01	794 - 822	2.3975	2.3788	2.372	4.5	2.3541	4.5	2.2698	4.7	103.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.7
Ecu	-	1.4319	-0.0071	301 - 337	1.4439	1.4300	1.4297	1.8	1.425	1.8	1.3999	2.2	-
SDR†	-	1.19324	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6238	+0.0016	234 - 242	1.6273	1.6213	-	-	-	-	-	-	-
Brazil	(R$)	1.7273	+0.0016	267 - 279	1.7308	1.7248	-	-	-	-	-	-	-
Canada	(C$)	2.2627	-0.0052	617 - 636	2.2723	2.2609	2.2569	3.1	2.2461	2.9	2.2015	2.7	84.3
Mexico	(New Peso)	12.8946	-0.0092	833 - 059	12.9274	12.8830	-	-	-	-	-	-	-
USA	($)	1.6240	+0.0014	236 - 244	1.6275	1.6215	1.6232	0.6	1.6214	0.7	1.6147	0.6	105.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0682	-0.0077	670 - 693	2.0785	2.0668	2.0681	0.1	2.0673	0.2	2.0632	0.2	99.4
Hong Kong	(HK$)	12.5808	+0.0113	769 - 847	12.6071	12.5618	12.5762	0.4	12.5652	0.5	12.5251	0.4	-
India	(Rs)	58.0661	+0.05	112 - 210	58.1650	58.0080	-	-	-	-	-	-	-
Israel	(Shk)	5.5193	-0.0075	152 - 234	5.5473	5.5148	-	-	-	-	-	-	-
Japan	(Y)	205.063	-0.861	947 - 178	207.320	204.790	204.093	5.7	202.233	5.5	193.623	5.6	120.4
Malaysia	(M$)	4.0709	-0.0018	691 - 727	4.0821	4.0683	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3549	+0.015	534 - 563	2.3595	2.3398	2.3578	-1.5	2.3628	-1.4	2.3832	-1.2	115.8
Philippines	(Peso)	42.8412	+0.0532	900 - 923	42.8925	42.7900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0908	+0.0052	891 - 925	6.1038	6.0818	-	-	-	-	-	-	-
Singapore	(S$)	2.3472	+0.0004	458 - 486	2.3583	2.3452	-	-	-	-	-	-	-
South Africa	(R)	7.2228	+0.0079	185 - 270	7.2377	7.2158	-	-	-	-	-	-	-
South Korea	(Won)	1449.42	+2.08	500 - 384	1453.88	1444.82	-	-	-	-	-	-	-
Taiwan	(T$)	44.9199	+0.0368	763 - 634	44.9841	44.8731	-	-	-	-	-	-	-
Thailand	(Bt)	42.4027	+0.0122	760 - 293	42.5040	42.3750	-	-	-	-	-	-	-

† Rates for Apr 30 . Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0953	-0.0922	932 - 974	12.2000	12.0910	12.0806	1.5	12.0353	2.0	11.8403	2.1	103.2
Belgium	(BFr)	35.4685	-0.2515	470 - 900	35.7660	35.4400	35.4085	2.0	35.281	2.1	34.741	2.1	103.1
Denmark	(DKr)	6.5403	-0.0509	393 - 413	6.5990	6.5340	6.5314	1.6	6.513	1.7	6.4313	1.7	105.3
Finland	(FM)	5.1610	-0.0426	572 - 647	5.2207	5.1570	5.1522	2.0	5.1334	2.1	5.051	2.1	82.1
France	(FFr)	5.8050	-0.0314	040 - 060	5.8421	5.7890	5.7943	2.2	5.7733	2.2	5.665	2.4	105.6
Germany	(DM)	1.7186	-0.0131	183 - 188	1.7334	1.7165	1.7154	2.2	1.7088	2.3	1.6752	2.5	104.3
Greece	(Dr)	273.545	-1.525	490 - 600	275.470	272.570	275.1	-6.8	277.67	-6.0	288.695	-5.5	65.3
Ireland	(I£)	1.4924	-0.0096	900 - 948	1.4990	1.4820	1.4919	0.4	1.4914	0.3	1.4927	0.0	-
Italy	(L)	1702.45	-9.43	130 - 360	1714.90	1700.00	1705.45	-2.1	1710.3	-1.8	1720.1	-1.0	75.9
Luxembourg	(LFr)	35.4685	-0.2515	470 - 900	35.7660	35.4400	35.4085	2.0	35.281	2.1	34.741	2.1	103.2
Netherlands	(Fl)	1.9339	-0.0142	333 - 344	1.9506	1.9315	1.9301	2.4	1.9221	2.4	1.8865	2.4	102.6
Norway	(NKr)	7.0828	-0.038	818 - 838	7.1352	7.0620	7.079	0.6	7.0734	0.5	7.0478	0.5	98.9
Portugal	(Es)	172.700	-1.045	600 - 800	173.800	172.600	172.83	-0.9	172.98	-0.6	172.715	0.0	94.8
Spain	(Pta)	145.245	-0.83	180 - 310	146.150	145.150	145.335	-0.7	145.455	-0.6	145.25	0.0	77.8
Sweden	(SKr)	7.8198	-0.0257	160 - 236	7.8561	7.8151	7.817	0.4	7.8072	0.6	7.7598	0.8	83.3
Switzerland	(SFr)	1.4660	-0.0074	655 - 665	1.4750	1.4650	1.4612	3.9	1.4518	3.9	1.4062	4.1	103.8
UK	(£)	1.6240	+0.0014	236 - 244	1.6275	1.6215	1.6232	0.6	1.6214	0.7	1.6147	0.6	99.7
Ecu	-	1.1342	+0.0065	330 - 353	1.1355	1.1260	1.1354	-1.2	1.1379	-1.3	1.1532	-1.7	-
SDR†	-	0.732316	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0636	-	635 - 637	1.0638	1.0635	-	-	-	-	-	-	-
Canada	(C$)	1.3933	-0.0044	930 - 935	1.3979	1.3926	1.3904	2.5	1.3852	2.3	1.3638	2.1	84.1
Mexico	(New Peso)	7.9400	-0.0125	350 - 450	7.9450	7.9350	8.058	-17.8	8.3245	-19.4	9.185	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2735	-0.0058	731 - 739	1.2771	1.2731	1.2742	-0.7	1.275	-0.5	1.2803	-0.5	103.2
Hong Kong	(HK$)	7.7468	+0.0003	463 - 473	7.7475	7.7460	7.7467	0.0	7.7473	0.0	7.7583	-0.1	-
India	(Rs)	35.7550	-	300 - 800	35.7800	35.7300	35.97	-7.2	36.43	-7.6	-	-	-
Israel	(Shk)	3.3986	-0.0075	969 - 003	3.4138	3.3964	-	-	-	-	-	-	-
Japan	(Y)	126.270	-0.64	230 - 310	127.460	126.120	125.735	5.1	124.71	4.9	119.81	5.0	121.1
Malaysia	(M$)	2.5067	-0.0033	062 - 072	2.5110	2.5060	2.5095	-1.4	2.5149	-1.3	2.5362	-1.2	-
New Zealand	(NZ$)	1.4500	+0.0079	495 - 505	1.4505	1.4430	1.4523	-1.9	1.4566	-1.8	1.4773	-1.9	-
Philippines	(Peso)	26.3800	+0.01	550 - 050	26.4050	26.3550	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4453	-0.001	448 - 458	1.4488	1.4440	1.4431	1.8	1.4385	1.9	1.4173	1.9	-
South Africa	(R)	4.4475	+0.001	460 - 490	4.4600	4.4450	4.4682	-11.0	4.5632	-10.4	4.878	-9.7	-
South Korea	(Won)	892.500	+0.5	000 - 000	895.000	890.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.6600	-	400 - 800	27.6900	27.6400	27.6601	0.0	27.6603	0.0	-	-	-
Thailand	(Bt)	26.1100	-0.015	000 - 200	26.1400	26.0950	26.2	-4.1	26.3875	-3.9	27.005	-3.4	-

† SDR rate per $ for Apr 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 30: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 3/8	3 3/8	3 1/4	3 1/4	3 3/8	6.00	2.50	-
France	3 1/4	3 1/4	3 3/8	3 7/16	3 1/2	3.10	-	4.75
Germany	3 3/16	3 1/8	3 1/8	3 3/16	3 1/4	4.50	2.50	3.00
Ireland	6 1/4	6 1/2	6 5/8	6 3/4	6 3/4	-	-	6.25
Italy	7 1/8	6 13/16	6 23/32	6 21/32	6 21/32	8.25	6.75	7.34
Netherlands	3 1/8	3 1/4	3 1/4	3 5/16	3 3/8	-	3.00	3.30
Switzerland	1 1/2	1 9/16	1 19/32	1 21/32	1 7/8	-	1.00	-
US	5 1/2	5 5/8	5 3/4	5 7/8	6 1/4	-	5.00	-
Japan	7/16	15/32	1/2	5/8	3/4	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 23/32	5 29/32	6	6 1/4	-	-	-
US Dollar CDs	-	5.54	5.68	5.84	6.20	-	-	-
ECU Linked Ds	-	4 1/16	4 1/8	4 3/16	4 5/16	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 3/4	3 15/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 3/4 - 3 1/4	3 1/8 - 3 1/16	3 7/32 - 3 1/32	3 5/16 - 3 5/32	3 3/8 - 3 7/32	3 13/32 - 3 5/16
Danish Krone	3 7/16 - 3 11/32	3 9/16 - 3 1/2	3 19/32 - 3 1/2	3 5/8 - 3 17/32	3 3/4 - 3 21/32	3 15/16 - 3 13/16
German Mark	3 1/8 - 2 7/8	3 7/32 - 2 31/32	3 3/16 - 3 3/32	3 7/32 - 3 3/32	3 1/4 - 3 5/32	3 3/8 - 3 1/8
Dutch Guilder	3 1/8 - 3 1/16	3 5/16 - 3 3/16	3 9/32 - 3 5/32	3 3/8 - 3 1/4	3 13/32 - 3 9/32	3 7/16 - 3 5/16
French Franc	3 1/4 - 3 3/32	3 3/8 - 3 3/16	3 9/32 - 3 5/16	3 7/16 - 3 5/16	3 1/2 - 3 3/8	3 5/8 - 3 1/2
Portuguese Esc.	6 3/8 - 6 3/16	6 7/16 - 6 1/16	6 1/16 - 5 15/16	5 31/32 - 5 7/8	5 3/4 - 5 11/16	5 23/32 - 5 5/8
Spanish Peseta	5 19/32 - 5 15/32	5 7/8 - 5 1/2	5 9/16 - 5 15/32	5 1/2 - 5 13/32	5 15/32 - 5 11/32	5 7/16 - 5 5/16
Sterling	6 1/16 - 5 15/16	6 1/8 - 6	6 9/32 - 6 1/4	6 1/2 - 6 7/16	6 23/32 - 6 17/32	6 31/32 - 6 29/32
Swiss Franc	1 1/2 - 1	1 1/2 - 1 3/8	1 5/8 - 1 17/32	1 3/4 - 1 5/8	1 27/32 - 1 23/32	1 15/16 - 1 13/16
Canadian Dollar	3 1/4 - 3 1/16	3 1/8 - 3	3 3/16 - 3 5/16	3 3/8 - 3 1/4	3 11/16 - 3 9/16	4 9/32 - 4 5/32
US Dollar	5 19/32 - 5 15/32	5 5/8 - 5 1/2	5 11/16 - 5 9/16	5 13/16 - 5 11/16	5 15/16 - 5 13/16	6 5/16 - 6 3/16
Italian Lira	7 7/16 - 6 7/16	7 - 6 7/8	7 - 6 29/32	6 7/8 - 6 25/32	6 27/32 - 6 3/4	6 3/4 - 6 21/32
Japanese Yen	15/32 - 7/16	9/16 - 15/32	5/8 - 1/2	19/32 - 7/16	21/32 - 5/8	31/32 - 27/32
Asian $Sing	3 3/8 - 3 1/4	3 1/2 - 3 3/8	3 1/2 - 3 3/8	3 1/2 - 3 3/8	3 1/2 - 3 3/8	3 9/16 - 3 7/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (Apr 30)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.40	96.42	+0.04	96.42	96.39	21,457	69,042
Sep	96.46	96.50	+0.05	96.50	96.46	12,797	56,224
Dec	96.43	96.47	+0.05	96.47	96.42	851	34,417

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.76	96.78	+0.01	96.79	96.76	14974	235082
Sep	96.72	96.73	+0.01	96.74	96.71	12189	209841
Dec	96.59	96.61	+0.02	96.62	96.58	20540	226176
Mar	96.45	96.47	+0.02	96.48	96.44	13225	194530

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May		96.81	+0.01			0	4342
Jun		96.80	+0.01			0	725
Jul		96.79	+0.01			0	300
Aug		96.77	+0.01			0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.24	93.25	+0.02	93.26	93.22	6702	112321
Sep	93.52	93.54	+0.04	93.55	93.49	4159	78139
Dec	93.65	93.68	+0.05	93.69	93.64	1036	51180
Mar	93.66	93.71	+0.06	93.69	93.66	189	33706

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.21	98.21	-	98.21	98.19	1520	52090
Sep	98.20	98.20	-	98.20	98.17	1126	34304
Dec	98.09	98.09	-	98.09	98.07	386	22965
Mar	98.00	98.00	-	98.00	97.98	217	9115

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.35	99.35	-	99.35	99.35	50	na
Sep		99.20	+0.02			0	na
Dec		99.01	+0.03			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.84	-	95.84	95.82	549	7814
Sep	95.85	95.85	+0.01	95.85	95.82	105	5384
Dec		95.75	+0.01			0	5802
Mar		95.67	+0.02			0	3867

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.16	0.48	0.65	0.18	0.19	0.22
9350	0.06	0.32	0.49	0.31	0.28	0.31
9375	0.02	0.20	0.35	0.52	0.41	0.42

Est. vol. total, Calls 410 Puts 1. Previous day's open int., Calls 145576 Puts 72909

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.37	4.845	1.889	4800	5.453	19.97	487.0	409.5	22.05	4.134	1.736	3.929	2.819	356.1	2.486
Denmark	(DKr)	54.24	10	8.877	2.628	1.024	2604	2.958	10.83	264.1	222.1	11.96	2.242	0.942	2.131	1.529	193.1	1.348
France	(FFr)	61.10	11.27	10	2.961	1.154	2933	3.332	12.20	297.5	250.2	13.47	2.526	1.061	2.401	1.723	217.6	1.519
Germany	(DM)	20.64	3.805	3.378	1	0.390	990.7	1.125	4.120	100.5	84.52	4.550	0.853	0.358	0.811	0.582	73.49	0.513
Ireland	(I£)	52.94	9.761	8.665	2.565	1	2541	2.887	10.57	257.8	216.8	11.67	2.188	0.919	2.080	1.493	188.5	1.316
Italy	(L)	2.083	0.384	0.341	0.101	0.039	100.	0.114	0.416	10.14	8.532	0.459	0.086	0.036	0.082	0.059	7.418	0.052
Netherlands	(Fl)	18.34	3.381	3.001	0.889	0.346	880.3	1	3.661	89.30	75.10	4.043	0.758	0.318	0.720	0.517	65.30	0.456
Norway	(NKr)	50.09	9.235	8.197	2.427	0.946	2404	2.731	10	243.9	205.1	11.04	2.070	0.870	1.968	1.412	178.3	1.245
Portugal	(Es)	20.53	3.786	3.361	0.995	0.388	985.7	1.120	4.100	100.	84.10	4.526	0.849	0.357	0.807	0.579	73.12	0.511
Spain	(Pta)	24.42	4.502	3.996	1.183	0.461	1172	1.331	4.875	118.9	100.	5.384	1.009	0.424	0.959	0.688	86.94	0.607
Sweden	(SKr)	45.35	8.362	7.423	2.198	0.857	2177	2.473	9.055	220.9	185.7	10	1.875	0.787	1.782	1.279	161.5	1.128
Switzerland	(SFr)	24.19	4.460	3.959	1.172	0.457	1161	1.319	4.830	117.8	99.08	5.334	1	0.420	0.950	0.682	86.14	0.601
UK	(£)	57.60	10.62	9.427	2.791	1.088	2765	3.141	11.50	280.5	235.9	12.70	2.381	1	2.263	1.624	205.1	1.432
Canada	(C$)	25.45	4.693	4.166	1.233	0.481	1222	1.388	5.082	124.0	104.2	5.612	1.052	0.442	1	0.718	90.63	0.633
US	($)	35.47	6.539	5.805	1.719	0.670	1703	1.934	7.081	172.7	145.3	7.820	1.466	0.616	1.393	1	126.3	0.882
Japan	(Y)	28.08	5.178	4.596	1.361	0.530	1348	1.531	5.607	136.8	115.0	6.192	1.161	0.488	1.103	0.792	100.	0.698
Ecu		40.22	7.416	6.583	1.949	0.760	1931	2.193	8.031	195.9	164.7	8.869	1.663	0.698	1.580	1.134	143.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5797	0.5815	+0.0015	0.5818	0.5785	18,770	82,588
Sep	0.5853	0.5849	+0.0010	0.5853	0.5849	32	3,183
Dec	-	0.5880	-	-	-	10	326

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6827	0.6828	-0.0001	0.6853	0.6814	15,434	44,743
Sep	0.6915	0.6893	-0.0006	0.6915	0.6893	139	2,175
Dec	-	0.6973	-	-	-	5	433

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7926	0.7915	-0.0010	0.7926	0.7894	12,058	86,304
Sep	0.8031	0.8023	-0.0008	0.8032	0.8023	405	1,593
Dec	0.8135	0.8135	-0.0009	0.8135	0.8135	1	708

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6224	1.6214	-0.0012	1.6254	1.6198	17,972	39,079
Sep	1.6196	1.6180	-0.0020	1.6202	1.6180	9	913
Dec	-	1.6160	-0.0016	1.6160	1.6160	2	102

UK INTEREST RATES

LONDON MONEY RATES

May 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/8 - 5 1/2	6 3/16 - 5 15/16	6 5/16 - 6 1/8	6 5/8 - 6 1/2	6 13/16 - 6 11/16	7 1/16 - 6 15/16
Sterling CDs	-	-	6 3/16 - 6 1/8	6 13/32 - 6 11/32	6 19/32 - 6 17/32	6 7/8 - 6 13/16
Treasury Bills	-	-	6 3/16 - 6 1/16	6 7/16 - 6 3/8		-
Bank Bills	-	-	6 3/16 - 6 1/16	6 13/32 - 6 3/8	6 5/8 - 6 7/16	-
Local authority deps.	5 7/8 - 5 3/4	6 - 5 7/8	6 1/8 - 6 1/16	6 7/16 - 6 3/8	6 11/16 - 6 5/8	6 31/32 - 6 29/32
Discount Market deps	6 1/2 - 6	6 1/8 - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount on Apr 25, 6.1348pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6 1/2pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.40	93.37	-0.02	93.40	93.36	13008	122096
Sep	93.17	93.14	-0.02	93.19	93.12	15027	93198
Dec	92.99	92.96	-0.02	93.01	92.93	14064	80443
Mar	92.84	92.82	-0.01	92.89	92.80	7347	52308
Jun	92.74	92.72	-0.01	92.78	92.71	3044	41216

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.17	0.12	0.14	0.05	0.23	0.43
9350	0.03	0.04	0.06	0.16	0.40	0.60
9375	0	0.01	0.03	0.38	0.62	0.82

Est. vol. total, Calls 4770 Puts 3952. Previous day's open int., Calls 169957 Puts 167334

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk.	6.00	Western Trust	6.00
Bank of Scotland	6.00	•Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	• Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

EMS EUROPEAN CURRENCY UNIT RATES

Apr 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.755291	+0.020555	-5.44	8.19	37
Portugal	197.398	196.769	+0.381	-0.32	2.63	2
Finland	5.85424	5.88446	-0.03218	0.52	1.78	-3
Spain	163.826	165.457	+0.284	1.00	1.30	-7
Denmark	7.34555	7.46141	-0.00442	1.58	0.72	-11
Netherlands	2.16979	2.20454	-0.00109	1.60	0.69	-12
Germany	1.92573	1.95997	-0.00062	1.78	0.52	-18
Italy	1906.48	1940.86	-1.67	1.80	0.49	-13
Belgium	39.7191	40.4422	-0.0107	1.82	0.48	-13
Austria	13.5485	13.8004	+0.0017	1.86	0.44	-14
France	6.45863	6.60762	-0.00133	2.31	0.00	-19
NON ERM MEMBERS						
Greece	295.269	311.439	+0.82	5.48	-3.00	-
UK	0.793103	0.698771	-0.000657	-12.15	16.45	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	1.23	1.77	2.24	0.77	1.40	1.95
1.630	0.75	1.29	1.77	1.29	1.93	2.51
1.640	0.41	0.92	1.37	1.98	2.51	3.03

Previous day's vol., Calls 77 Puts 236 . Prev. day's open int., Calls 32,716 Puts 32,802

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.580	0.33	0.65	0.91	0.46	0.69	0.96
0.585	0.17	0.44	0.68	0.79	0.98	1.11
0.590	0.08	0.30	0.50	1.18	1.34	1.44

Previous day's vol., Calls 569 Puts 895 . Prev. day's open int., Calls 25,472 Puts 40,808

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.07	94.07	-	94.08	94.06	129,828	476,703
Sep	93.88	93.88	-	93.90	93.86	204,871	411,682
Dec	93.64	93.64	+0.01	93.66	93.62	253,881	312,500

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.67	94.66	-0.01	94.67	94.66	1,212	6,511
Sep	94.48	94.48	-	94.48	94.46	109	3,651
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.04	0.05	0.04	0.07	0.01	0.02	0.06	0.09
9700	0	0	0.01	0.01	0.22	0.22	0.28	0.28
9725	0	0	0	0	0.47	0.47	0.52	0.52

Est. vol. total, Calls 2256 Puts 3057. Previous day's open int., Calls 460939 Puts 287400

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.07	0.11	0.16	0.11	0.16	0.32
9850	0.01	0.03	0.07	0.30	0.33	0.48

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1475 Puts 1840

COMMODITIES AND AGRICULTURE

Shell Oil defends high production rates

By Robert Corzine

Shell Oil, the US arm of Royal Dutch/Shell, has dismissed suggestions that high production levels at its new deepwater Gulf of Mexico oil fields will lead to lower overall recovery rates.

Mr Rich Pattarozzi, president of Shell Deepwater Development, which oversees the company's operations in one of the world's hottest exploration areas, said the high production rates are the result of "such good reservoirs." High production rates and high recovery rates were not mutually exclusive, he added. "It depends on how you manage the reservoirs."

There has been speculation in the oil industry that the high well production rates required to make expensive deepwater developments economic might result in lower overall recovery rates. It has been traditional wisdom in the industry that a low extraction rate results in a bigger proportion of reserves eventually recovered. Wells on Shell's Mars and Auger fields have set new Gulf of Mexico volume records since the company started deepwater production in 1994.

Mr Pattarozzi said it was too early to determine the potential of the area, which has been the focus of intense exploration interest over the past year, but added that early indications were positive. "My gut feeling is that we'll continue to find new fields," he said. "I believe this is not a short-term blip."

In the early 1990s only eight to 10 companies were active in lease sales of deepwater acreage. But almost 50 companies bid in the latest round earlier this year.

Mr Pattarozzi said growing competition was likely to exacerbate the shortage of suitable drilling rigs and skilled workers needed for the deepwater developments. Such shortages had not affected Shell's ambitious plans in the area, but he expressed "concern" if rig rates continued to rise.

Shell is hoping to begin production from Mensa, its subsea natural gas development, in late June. The field, which lies in 5,300 ft of water, will set a world depth record when production begins.

Commenting on recent deals which involved the transfer of smaller deepwater discoveries to independent oil companies, Mr Pattarozzi said more transactions could be in the offing for fields "which are not big enough to register on our radar screen".

Alcan warns on pricing

By Kenneth Gooding, Mining Correspondent

Alcan of Canada, the world's second biggest aluminium group, would seriously consider restarting idled production capacity if the price of the metal went up too high and too fast.

This was made clear yesterday by Mr Jacques Bougie, Alcan president, who was in London for presentations to investors and analysts.

He insisted spikes in the price of aluminium were unhealthy for the industry as it deterred potential customers. The automotive industry, for example, was keen to use more of the lightweight material but it was worried about the violent price swings, of up to 40 per cent, seen in the past.

Alcan accounts for about 150,000 tonnes of the 800,000 tonnes of annual capacity temporarily shut down at present – most of it in the hands of big producers and most of it in North America.

Mr Bougie said Alcan would not consider reactivating capacity until industry stocks were lower than at present, when prices were "reasonable" and "we could be confident of strong demand ahead of us".

He agreed, however, that stocks were not particularly high at present, representing 10½ to 11 weeks of consumption. There was relatively little new capacity scheduled to come into operation in 1997 and 1998 – about 800,000 tonnes a year – and the industry needed all the 2.3m tonnes Russia was exporting every year to meet demand.

Alcan is forecasting western world demand this year will grow by 3 per cent. It estimates that in 1996 demand fell for the first time in 14 years, by 0.5m to 23.9m tonnes, three-quarters of which was supplied by primary metal and the rest from recycled aluminium.

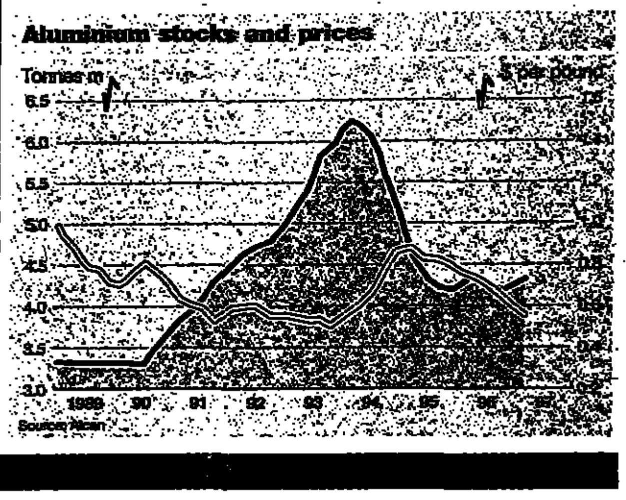
Mr Bougie admitted the forecast was conservative, given that first-quarter demand was up by 10 per cent and, as far as Alcan was concerned, had continued to be very strong in April.

Further growth in demand was expected until 2000, taking the annual average in the 1990s to between 3 per cent and 4 per cent.

Alcan recently announced a $350m expansion of its rolling operations in Brazil and other projects under consideration include a $1bn smelter at Alma, Quebec, which would be the group's biggest, with annual capacity of 370,000 tonnes, as well as a new bauxite mine in Australia.

Also, the group might be involved in a joint venture in China to build a combined smelter and power station complex.

Aluminium stocks and prices



Source: Alcan

Oil slips in thin trading

MARKETS REPORT

By Gary Mead

May Day bank holidays across Europe drained liquidity from the International Petroleum Exchange. *In thin trading the price of* Brent crude oil on the June contract was 2 cents lower at $18.50 late in the session. Trading in the US gave little direction and news that the UN security council had retained its ban on Iraqi oil sales had little effect.

Base metals traded sluggishly on the London Metal Exchange, with even copper, in the spotlight for much of the week, finishing lower. The three-month contract for copper ended down $19 at $2,360, with the premium for cash metal narrowing slightly to $80 from the previous high of $88.

On the London Financial Futures Exchange cocoa futures again finished lower. May lost £8, to £960 a tonne, and July shed £9 to £988 a tonne. The International Cocoa Organisation has increased by 93,000 tonnes its forecast for 1996/97 bean production, to 1.125m tonnes.

The July contract for coffee made further gains, of $41 a tonne, to $1,659.

In Chicago wheat was lower at midday as traders took profits. The July contract was down $5 at $4.28¼. It appeared little moved by the latest monthly figures from the London-based International Grains Council.

The IGC said recent weather problems in the US may not affect harvests as *adversely as had been expected*. Global production for coarse grains – which exclude wheat and rice – is set for a record 897m tons in 1997-98, up 8m tons on last year, it forecasts.

The projected peak for coarse grain output is matched by a forecast record for world consumption of 895m tons, against 865m last year. The IGC says China and the US will account for most of the increase.

Prospects for trade in coarse grains in 1997-98 will "again depend heavily on developments in Far East Asia, which accounts for about half of total imports", says the report, which estimates that total global trade in coarse grains next season will be 90m tons, against 88m for 1996-97.

Coarse grain carry-over stocks are expected to increase marginally, by 2m tons to 116m tons in 1996-97, with the major exporters (particularly the EU and the US) accounting for 67m tons. World trade in wheat is forecast at 94m tons, some 3m more than for 1996-97.

Randgold resurrects Syama

Employees at the Syama gold mine in Mali took matters into their own hands when management refused to consider a change in shift patterns. The workers argued that the two, 12-hour shifts were too long to bear in the sweltering West African heat.

So one day in March last year they unilaterally moved *to eight-hour working*.

Management responded by bringing operations gradually to a halt. The mill was shut down and keys removed from vehicles whenever they were parked.

An angry group of employees, about 25 of them, marched to the management offices to protest.

Management left the mine for three weeks. During that time nothing was broken, not one pane of glass. Nothing was stolen. Employees provided a security team to protect the property.

In October the management left for good. Broken Hill Proprietary, Australia's biggest company, which had spent more than US$110m bringing Syama into production and operated it since 1990, sold the mine.

Syama had never lived up to BHP's expectations and tension had developed not only between management and workforce but also between BHP and the government of Mali, a shareholder in the mine.

Changes at Syama have improved production — Kenneth Gooding

Randgold Resources, the international arm of Rand gold of South Africa, paid $83m for the mine and BHP's other assets in Mali. Then it had some explaining to do. For it was reasonable to ask how the smallest of South Africa's mining finance houses could make Syama a success when one of the world's biggest mining groups had not.

It has not been possible for Randgold to explain why it can do better than BHP without criticising the Australian group.

For example, when BHP in 1994 increased the volume of ore being mined from the open pit, it bought bigger Caterpillar haul trucks. Capacity of the ore crushing facility was also increased but it is not possible for the new trucks to dump the ore directly into the crusher because there is not enough room. Ore has to be dumped nearby and then transported to the crusher by a loader.

Resources has already made fundamental changes at Syama. Not the least of these has involved relationships with employees. BHP would not recognise the local union. Resources does. It introduced the eight-hour shifts that the employees had been agitating for and which had been the main cause of tension. The union agreed the eight-hour shifts would result in no extra people being employed and no extra other costs.

Employees also agreed there would be no prayer breaks during the eight-hour shift. Resources discovered, a truck driver might park in the middle of the road to go through the ritual, which *takes up to 10 minutes, and* cause considerable congestion. The Moslem religion calls for devotees to take five prayer breaks each day.

The new spirit of co-operation is paying off. In January 40,000 tonnes of material a day were moved, a one-third improvement on the 30,000 tonnes typical before the new measures were implement.

Mr John Steele, general manager at Syama, says Resources knew it could do better than BHP but has had to make radical changes.

Computerised techniques have been introduced to ensure that the average amount of gold in the ore (the grade) delivered to the mill is not erratic. This has improved gold recovery. Blasting techniques have been improved and the open pit has been re-engineered to give it a nine-year life.

Big changes are to be made to ore processing to reduce the high metallurgical operating costs.

Resources will spend $68m over three years on capital equipment. Mr Steele says the objective is to reduce cash operating costs, which were $350–$360 an ounce when BHP was in charge, to $250 in the first, 15-month phase and then to $210. Annual output will rise from 120,000 to 210,000 ounces and then to 270,000 ounces.

There are 2.7m ounces of gold in Syama's reserves and it has 4.34m ounces of *resources, but Mr Matt Mullins*, Randgold's consulting geologist at Syama, says there is potential for more reserves to be found.

Kenneth Gooding

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1597-98	1626-27
Previous	1608.5-09.5	1635-36
High/low		1648/1622
AM Official	1598-99	1628.5-29.5
Kerb close		1628-29
Open int.	275,174	
Total daily turnover	67,485	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1475-80	1500-505
Previous	1475-80	1503-08
High/low		1517/1500
AM Official	1475-80	1500-505
Kerb close		1505-10
Open int.	5,510	
Total daily turnover	1,507	

■ LEAD ($ per tonne)

Close	615.5-16.5	626.5-7.5
Previous	608.5-9.5	619-20
High/low	617	633/625
AM Official	616.5-17.0	627-27.5
Kerb close		625-27
Open int.	36,065	
Total daily turnover	9,844	

■ NICKEL ($ per tonne)

Close	7210-20	7320-30
Previous	7205-10	7320-25
High/low	7265/7255	7400/7310
AM Official	7225-30	7320-25
Kerb close		7340-50
Open int.	49,211	
Total daily turnover	15,077	

■ TIN ($ per tonne)

Close	5660-65	5700-705
Previous	5630-40	5680-85
High/low		5710/5690
AM Official	5645-55	5690-700
Kerb close		5710-15
Open int.	16,676	
Total daily turnover	3,422	

■ ZINC, special high grade ($ per tonne)

Close	1249-50	1271-72
Previous	1244.5-45.5	1268-68.5
High/low		1277/1267
AM Official	1246-46.5	1269-70
Kerb close		1270-71
Open int.	86,313	
Total daily turnover	16,808	

■ COPPER, grade A ($ per tonne)

Close	2439-42	2363-64
Previous	2426-31	2348-49
High/low	2440	2382/2355
AM Official	2440-41	2366-67
Kerb close		2361-62
Open int.	137,482	
Total daily turnover	46,495	

■ LME AM Official £/$ rate: 1.6231
LME Closing £/$ rate: 1.6245

Spot: 1.6240 3 mths: 1.6215 6 mths: 1.6195 9 mths: 1.6171

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	110.90	-1.60	111.80	110.50	3,095	6,133
Jun	110.55	-1.40	111.85	110.10	393	2,633
Jul	109.85	-1.50	111.75	109.25	8,701	23,420
Aug	107.95	-1.40	107.90	107.50	199	1,213
Sep	106.75	-1.30	107.40	106.30	1,339	5,189
Oct	105.75	-1.30	105.10	105.10	13	850
Total					14,939	51,742

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	340.80-341.30		
Opening	339.20-339.50		
Morning fix	339.55	208.800	498.580
Afternoon fix	339.25	208.705	499.308
Day's High	340.80-341.10		
Day's Low	336.75-339.05		
Previous close	339.85-340.35		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.72	6 months	4.67
2 months	4.70	12 months	4.63
3 months	4.70		

Silver Fix	p/troy oz.	US cts equiv.
Spot	288.00	467.50
3 months	292.10	473.40
6 months	296.30	479.45
1 year	305.10	492.40

Gold Coins	$ price	£ equiv.
Krugerrand	341-343	210-212
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	340.4	+0.4	-	-	-	-
Jun	341.7	+0.5	342.9	340.4	22,268	75,809
Aug	344.3	+0.6	345.5	342.8	3,995	18,166
Oct	346.9	+0.6	347.9	346.2	129	6,311
Dec	349.7	+0.6	350.5	349.0	1,416	21,530
Feb	352.4	+0.6	352.9	352.9	87	4,644
Total					28,987	195,543

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	374.1	+3.5	374.6	370.5	2,040	12,942
Oct	375.6	+3.8	376.0	373.0	8	2,871
Jan	377.8	+3.8	375.5	375.5	1	1,180
Apr	380.3	+3.8	378.0	378.0	2	14
Total					2,051	17,007

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	157.00	+0.80	157.50	156.00	637	6,735
Sep	157.00	+1.05	157.50	156.50	14	2,693
Dec	157.50	+1.05	-	-	-	326
Total					651	9,754

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	472.4	+7.7	475.5	463.0	3,009	2,843
Jul	476.8	+7.5	480.0	467.0	16,957	57,334
Sep	481.7	+7.6	484.0	472.5	381	5,651
Dec	489.0	+7.6	491.5	480.5	345	8,964
Jan	491.3	+7.6	-	-	-	17
Mar	496.7	+7.7	496.0	496.0	375	6,541
Total					21,169	85,176

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	20.22	+0.01	20.29	20.06	45,978	100k
Jul	20.24	+0.03	20.29	20.09	19,813	52,288
Aug	20.20	+0.04	20.23	20.08	7,141	28,652
Sep	20.16	+0.04	20.18	20.05	2,781	16,882
Oct	20.14	+0.06	20.15	20.04	772	15,177
Nov	20.06	+0.02	20.14	20.02	494	13,544
Total					85,446	391,380

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.52	-	18.55	18.36	9,002	54,378
Jul	18.64	-	18.68	18.48	4,786	58,405
Aug	18.73	+0.01	18.74	18.62	877	16,442
Sep	18.82	+0.04	18.83	18.72	331	9,395
Oct	18.83	-	18.90	18.78	235	6,428
Nov	18.80	+0.01	18.80	18.80	55	5,311
Total					15,368	171,168

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
May	58.00	-	59.00	57.50	17,631	7,338
Jun	56.10	+0.18	55.40	54.65	18,505	39,192
Jul	55.00	+0.26	55.10	54.55	4,947	27,269
Aug	55.40	+0.26	55.40	55.10	660	13,449
Sep	56.00	+0.21	56.00	55.75	435	7,753
Oct	56.75	+0.31	56.65	56.45	322	7,881
Total					43,609	137,538

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	171.00	-0.75	172.50	170.25	5,416	18,604
Jun	170.00	-0.50	170.75	169.25	3,907	19,445
Jul	170.25	-0.50	170.75	169.50	1,347	7,527
Aug	171.50	-0.25	171.75	170.50	443	7,327
Sep	172.75	-0.75	172.50	172.25	71	3,194
Oct	174.25	-0.50	174.75	174.50	17	3,578
Total					18,079	72,387

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.245	+0.051	2.245	2.170	20,919	37,764
Jul	2.260	+0.056	2.260	2.191	8,071	22,546
Aug	2.260	+0.050	2.260	2.200	3,524	14,662
Sep	2.255	+0.043	2.259	2.205	3,962	13,887
Oct	2.265	+0.073	2.265	2.210	3,489	15,853
Nov	2.360	+0.073	2.360	2.320	1,532	7,251
Total					47,160	193,978

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	64.50	-	64.50	62.80	20,859	10,051
Jun	62.90	+0.49	63.15	61.95	22,282	48,011
Jul	61.65	+0.35	62.00	61.05	4,090	15,322
Aug	60.45	+0.40	60.70	60.00	909	6,670
Sep	59.10	+0.40	59.25	58.95	390	3,240
Oct	56.70	-0.10	56.70	56.70	65	2,317
Total					48,958	90,021

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	93.25	+0.10	93.25	93.00	26	507
Jul	95.90	-0.10	96.40	95.65	122	1,935
Sep	95.50	+1.00	-	-	-	51
Nov	97.50	+1.00	97.50	97.00	189	3,383
Jan	99.50	+1.00	99.50	99.00	43	1,102
Mar	101.50	+1.00	101.50	101.00	15	633
Total					395	7,810

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	414.00	-9.00	424.00	414.00	1,805	1,748
Jul	425.00	-8.50	435.00	424.00	15,550	59,261
Sep	430.75	-8.00	441.00	431.00	1,517	13,380
Dec	441.50	-7.75	451.00	441.00	2,092	14,738
Mar	442.25	-6.75	449.50	442.00	25	942
May	420.00	-	-	-	-	5
Total					20,988	90,299

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	298.50	+3.50	299.75	294.50	21,356	27,307
Jul	296.75	+3.50	296.50	292.25	41,224	136,187
Sep	281.00	+1.50	282.25	278.75	2,870	24,434
Dec	277.25	+1.75	278.50	275.00	18,427	107,882
Mar	282.00	+1.50	282.75	280.00	616	10,255
May	286.00	+1.00	287.00	285.00	92	835
Total					84,445	312,434

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	90.00	+2.00	-	88.00	-	70
Sep	91.50	+0.50	-	-	-	28
Nov	93.50	+0.50	93.50	93.50	10	868
Jan	95.50	+0.50	95.50	95.25	23	86
Mar	97.50	+0.50	-	-	-	-
May	99.50	+0.50	-	-	-	-
Total					33	1,052

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	880.25	-9.25	897.00	879.00	7,828	11,807
Jul	877.00	-10.00	895.00	876.00	49,228	102,131
Aug	851.75	-8.50	869.00	851.00	4,124	16,998
Sep	763.50	-4.25	775.00	762.50	632	7,727
Nov	698.00	-1.50	704.00	695.00	10,786	46,780
Jan	700.50	-1.50	708.00	700.00	337	3,010
Total					72,988	189,933

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.90	-0.16	25.30	24.90	8,184	8,157
Jul	25.27	-0.20	25.66	25.25	14,435	52,806
Aug	25.41	-0.20	25.80	25.41	1,505	12,082
Sep	25.48	-0.20	25.83	25.50	746	6,882
Oct	25.50	-0.15	25.85	25.45	689	6,971
Dec	25.60	-0.23	25.98	25.60	1,234	18,738
Total					26,800	104,640

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	289.9	-2.7	294.4	289.3	7,383	14,161
Jul	283.9	-2.9	288.8	283.3	17,294	47,634
Aug	273.2	-1.7	277.5	273.0	3,189	13,900
Sep	255.3	-0.6	258.0	255.0	807	7,969
Oct	229.3	-0.2	230.0	228.0	1,048	9,351
Dec	220.3	-0.1	222.0	219.0	2,854	17,262
Total					32,491	113,218

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	20.0	-5.0	20.0	20.0	19	131
Jun	40.0	-5.0	-	-	-	-
Nov	72.1	+14.1	72.1	72.1	-	9
Mar	120.0	-5.0	-	-	-	-
Apr	129.0	-2.0	129.0	125.0	67	1,009
Total					72	1,149

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1267	-1	-	-	-	621
May	1342	-8	1350	1340	21	684
Jun	1292	-3	1300	1290	5	181
Jul	1220	-5	-	-	-	1,032
Oct	1335	+5	-	-	-	474
Jan	1355	-	-	1320	-	57
Total					26	2,408

	Close	Prev
BFI	1258	1259

FUTURES DATA
All futures data supplied by CMS.

Wool

Merino wool prices in Australia increased sharply to new seasonal peaks at auctions this week. Australia's Eastern Market Indicator rose A14 cents to A673 cents on the first of the two selling days, and the Western Market Indicator in Fremantle was A26 cents up to A628 cents, compared with the previous sale two weeks before. The EMI closed another A5 cents higher at A678 cents, an increase of A19 cents in the week. Wool market strength even applied in the New Zealand market, where previously prices for many crossbred wools were languishing at seasonal lows. The NZ indicator was NZ20 cents higher at NZ438 cents a kilo. British wool at a Bradford auction met with disappointing demand and prices were easier, but buyers might have been more active if the New Zealand recovery had occurred earlier.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	962	-6	960	954	42	1,409
Jul	988	-9	992	981	2,470	30,656
Sep	1005	-8	1008	999	430	13,565
Dec	1000	-	1002	995	778	28,980
Mar	1012	-	1013	1009	2,262	30,350
May	1022	-1	1023	1021	98	14,536
Total					6,310	138,345

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1380	-14	1390	1380	34	356
Jul	1391	-9	1404	1390	5,474	33,176
Sep	1417	-12	1429	1417	550	13,549
Dec	1445	-9	1456	1444	591	18,119
Mar	1473	-3	1475	1475	239	19,845
May	1493	-3	1498	1498	354	8,562
Total					11,545	95,679

■ COCOA (ICCO) (SDR's/tonne)

Apr 30	Price	Prev. day
Daily	1116.80	1125.42

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1575	+37	1613	1560	382	2,685
Jul	1660	+42	1690	1651	3,006	22,030
Sep	1668	+38	1695	1660	1,166	11,625
Nov	1668	+38	1690	1665	133	3,597
Jan	1640	+30	1665	1665	5	1,793
Mar	1620	+30	1590	1590	-	150
Total					4,692	41,882

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	252.75	+13.70	255.00	239.00	848	1,719
Jul	222.90	+23.95	224.00	210.00	7,593	15,455
Sep	197.90	+18.40	198.25	188.00	2,119	7,596
Dec	175.40	+7.75	173.65	167.50	731	4,328
Mar	160.40	+5.90	160.20	155.00	146	1,813
May	153.00	+3.25	154.00	153.00	18	263
Total					6,932	31,327

■ COFFEE (ICO) (US cents/pound)

Apr 30		Prev. day
Comp. daily	155.38	150.20
15 day average	145.67	144.38

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	310.7	+0.3	310.5	308.3	1,472	12,426
Oct	301.3	+0.9	301.0	299.9	253	6,932
Dec	299.6	+0.4	299.0	298.0	81	1,704
Mar	299.9	+0.7	299.5	298.4	60	1,413
May	300.3	+1.3	300.0	298.0	27	606
Total					1,894	23,179

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.14	-0.18	11.45	10.95	10,043	16,942
Jul	10.70	-0.28	10.86	10.67	14,956	89,538
Oct	10.60	-0.22	10.71	10.59	1,367	38,869
Mar	10.60	-0.16	10.68	10.59	680	21,353
May	10.56	-0.13	10.63	10.58	123	4,997
Jul	10.54	-0.11	10.58	10.55	25	2,272
Total					33,800	164,388

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	70.50	-1.40	71.50	70.80	194	210
Jul	72.31	-1.34	73.20	72.20	3,449	40,870
Oct	73.94	-0.96	74.75	73.90	298	2,652
Dec	75.05	-0.89	75.65	74.90	816	23,997
Mar	76.25	-0.80	76.45	76.15	90	3,110
May	76.80	-0.79	77.50	77.50	20	798
Total					4,868	72,693

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	73.10	+0.10	73.50	72.70	1,598	1,189
Jul	75.70	-0.25	75.90	75.25	1,996	17,094
Sep	78.50	-0.25	78.80	78.20	227	8,155
Nov	81.00	-0.45	81.50	81.00	87	2,770
Jan	83.75	-0.15	84.10	83.75	38	1,174
Mar	86.10	-0.05	86.00	85.00	25	824
Total					3,948	29,422

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 1	Apr 30	month ago	year ago
1975.1	1961.3	1991.8	2099.4

■ CRB Futures (Base: 1967 = 100)

Apr 30	Apr 29	month ago	year ago
248.29	246.68		

■ GSCI Spot (Base: 1970 = 100)

Apr 30	Apr 29	month ago	year ago
n/a	195.67	n/a	n/a

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	65.225	+0.475	65.350	64.700	8,274	36,519
Aug	65.200	+0.5	65.325	64.700	2,284	25,419
Oct	68.950	+0.325	69.000	68.600	1,833	16,223
Dec	70.525	+0.2	70.700	70.275	359	8,364
Feb	71.025	+0.1	71.225	70.950	396	5,216
Apr	73.000	+0.05	73.150	72.900	72	1,197
Total					13,218	92,938

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	84.950	+1.4	85.200	83.625	3,825	18,525
Jul	85.400	+0.925	85.600	84.700	1,437	6,311
Aug	83.125	+0.575	83.525	82.650	631	5,884
Oct	76.225	+0.325	76.600	75.750	398	5,082
Dec	73.375	+0.45	73.475	72.900	262	3,258
Feb	71.850	+0.35	71.900	71.300	96	1,096
Total					6,728	41,008

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	90.575	-0.35	93.700	90.100	1,326	1,260
Jul	91.650	-0.375	93.250	91.200	3,342	6,189
Aug	90.425	-0.225	92.250	90.050	544	1,396
Feb	77.125	-0.2	78.150	77.100	56	296
Mar	78.050	-	-	-	2	8
Total					5,270	9,158

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1550	58	103	1	20
1600	19	72	12	37
1650	3	46	45	61
■ COPPER (Grade A) LME	May	Aug	May	Aug
2350	82	70	3	85
2400	41	50	12	114
2450	15	15	35	147
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1550	151	206	41	88
1600	119	177	59	109
1650	92	152	82	134
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	38	65	50	60
1025	28	53	65	73
1050	20	44	82	89
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1850	33	-	-	55
1900	13	-	-	-
1950	-	29	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.43-7.66	-0.145
Brent Blend (dated)	$18.19-8.21	-0.210
Brent Blend (Jun)	$18.49-8.51	-0.180
W.T.I.	$20.20-0.22z	-0.210

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$207-209	
Gas Oil	$175-177	-1.5
Heavy Fuel Oil	$77-79	
Naphtha	$175-177	-3
Jet fuel	$191-193	-1
Diesel	$184-185	-1.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.5-10.6	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (May)	10.540	-0.080

■ OTHER

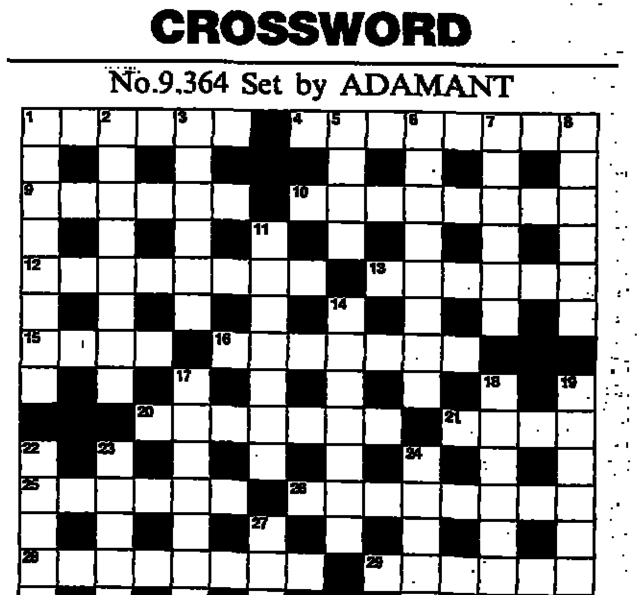
Gold (per troy oz)‡	$341.05	+0.95
Silver (per troy oz)‡	477.00c	+8.00
Platinum (per troy oz.)	$372.00	-2.25
Palladium (per troy oz.)	$156.50	+0.50
Copper	119.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.05r	-0.06
Tin (New York)	265.5	
Cattle (live weight)	89.44p	-3.53*
Sheep (live weight)	133.83p	-1.90*
Pigs (live weight)†	114.39p	+15.52*
Lon. day sugar (raw)	$270.60	-6.6
Lon. day sugar (wte)	$313.50	-2.2
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	68.75p	
Rubber (Jul)♥	68.75p	
Rubber (KL RSS No1)	277.5x	
Coconut Oil (Phil)§	710.0y	
Palm Oil (Malay.)§	572.5z	
Copra (Phil)§	$445.0y	-2.5
Soyabeans (US)	232.0	+4.0
Cotton Outlook'A' Index	79.55c	+0.20
Wooltops (64s Super)	430p	+10

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ z Jun London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,508 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,364 Set by ADAMANT



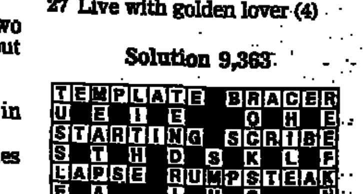
ACROSS

1 Firm set out on day off (6)
4 Delight in prayer, certainly (8)
9 Pressing old city for information on initial tragedy (6)
10 In ruin of French widow (8)
12 See about dead daughter in spirited manner (8)
13 Relish taking the heart out of benefactor (6)
15 Always right to follow woman (4)
16 Showed development of new device (7)
20 A cold, and by the sound of it, merciless gathering (7)
21 Run into rotten writer (4)
25 High court judge (6)
26 Having got in, ran riot, being ill-informed (8)
28 After victory within two days took first place, but faded (8)
29 It's been said before (6)
30 Proper fight organised in ball game league (8)
31 Against language's rhymes (6)

DOWN

1 Presses for financial restrictions.... (8)
2 ....and country shows enthusiasm for cuts (8)
3 Fool having day on opener (6)
5 Stay in bed without one? That's right! (4)
6 Means hail storms (8)
7 Complete agreement that numbers in university are rising (6)
8 In the country the Bible is unexpurgated (6)
11 Drool over ultimate kinky sort of bondage (7)
14 Make more of general mayhem (7)
17 Cried out in part of play to show it's true (8)
18 Accounts for the ups and downs (8)
19 No new tiredness afflicted the journalist (8)
22 Again beat up and kill (6)
23 Bound to bet where the bookmakers stand (6)
24 Dog takes firm position around lake (6)
27 Live with golden lover (4)

Solution 9,363



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
[illegible]						

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$2.955		[illegible]	-
United States Portfolio		$5.8820		[illegible]	-
Contl Europe Portfolio		DM7.764		[illegible]	-
Japan Portfolio		¥2.078		[illegible]	-
Pacific Portfolio		$6.326		[illegible]	-
Gold Portfolio		$5.273		[illegible]	-
UK Growth of Income		£2.7896		[illegible]	3.81
Dollar Portfolio		$1.8548		[illegible]	7.03
Sterling Portfolio		£1.0384		[illegible]	6.30
Aetna Master Fund (u) (x)					
21 avenue de la Liberté, L-1931, Lux 00 352 2954 941					
Australasian NAV		A$17.80		[illegible]	-
Austrian Nat NAV		Sch67.31		[illegible]	-
Belgo/Lux NAV		BFr340.56		[illegible]	-
Dutch Nat NAV		Dfl49.17		[illegible]	-
France Nat NAV		FFr148.68		[illegible]	-
German Nat NAV		DM21.43		[illegible]	-
Hongkong Nat NAV		HK$130.50		[illegible]	-
Italian Nat NAV		L13537		[illegible]	-
Japanese Nat NAV		¥7229		[illegible]	-
Spanish Nat NAV		Pta1583		[illegible]	-
UK Nat NAV		£11.18		[illegible]	-
United States Dlr Res		$11.15		[illegible]	-
Prices quoted are "A" shares					

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.					
FFF Emerging Markets F		$10.43	11.04	[illegible]	-
FFF Emerging Markets Debt F		$14.63	15.48	—	-
FFF Europlain		DM44.83	47.43	[illegible]	-
FFF European Smllr Cos F		DM26.16	27.68	[illegible]	-
FFF Global Conv F		$17.75	18.77	[illegible]	-
FFF India F		$10.39	10.99	[illegible]	-
FFF Intl Bond F		$13.35	14.12	[illegible]	-
FFF Intl Equity F		DM82.33	87.10	[illegible]	-
FFF Japanese		$14.53	15.37	[illegible]	-
FFF Japanese Smllr Cos F		$5.71	6.04	[illegible]	-
FFF Latin American		$13.70	14.49	[illegible]	-
FFF Pacific		$22.11	23.39	[illegible]	-
FFF Sterling Bond		£1.075	1.137	[illegible]	7.50
FFF UK Enterprise		£5.57	5.89	—	-
FFF US Discovery		$40.62	42.76	[illegible]	-
Fleming Flagship Series F (Daily Dealing)					
DM Class F		DM12.494		—	2.64
FFr Class F		FFr104.393		—	2.91
ITL Class F		L22794		[illegible]	6.59
£ Class F		£5.264		—	3.67
US$ Class F		$12.090		—	5.29
Foreign & Colonial Emerging Markets Ltd (u)					
Exchange Hs, Primrose St, Ldn, EC2A 2NY 0171-628 1234					
F&C Emerging Markets					
Argentinian Inv Co F		$24.41		[illegible]	-
Brazilian Inv Co SICAV F		$52.55		[illegible]	-
Latin Amer Inv Co SICAV F		$12.10		[illegible]	-
Mexican Inv Co SICAV F		$23.96		[illegible]	-
Foreign & Colonial Portfolios Fd Sicav (u)					
53 Boulevard Prince Henri, L-1724 Lux 00 352 2266 211					
Am Smllr Cos Eq F		$37.39		[illegible]	-
Japanese Smllr Cos Eq F		¥658.00		[illegible]	-

American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 404646211

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		[illegible]	-3	553	407½	4,384	6.8	13.1
Belmer (HP)		542½	—	626	477	285.4	3.1	16.1
Burn St Dist		60xd	—	131	57½	35.8	7.7	14.9
Glenmorangie A		[illegible]	-35	1040	615	128.5	1.6	25.3
B		1075	-20	1140	800	43.0	0.7	58.5
Grand Met		512½	-3½	519½	411½	10,783	3.9	16.6
Guinness		[illegible]	-8	520	424	9,477	4.0	14.3
Highland		328½	-1	380	320	435.2	3.2	15.2
5½pc Cnv Bds		98		101½	94½	–	–	–
Kirin Y		552¾	+2½	655	465¼	5,802	1.1	23.5
Matthew Clark		277½	-1½	803	255½	285.8	10.8	13.2
Merrydown		90½		141	80½	9.85	6.4	12.2
Seagram C$		£20[illegible]	+[illegible]	£25¼	£20[illegible]	6,449	1.2	–

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		[illegible]	+1½	947¼	£29¼	13,158	2.6	18.0
ANZ A$		397½	+3	405½	255	5,926	4.5	♦
Abbey National		844xd	-13½	865	528	11,875	3.9	14.9
Allied Irish E		446½	+13	485½	315	7,991	4.0	♦
Anglo Irish E		77½		82½	62	255.7	5.8	♦
Asahi Y		375½		665½	335½	8,718	0.9	♦
Banco Bil Viz Pta		[illegible]		946	[illegible]	9,276	2.5	–
Banco Sant Pta		[illegible]		[illegible]	[illegible]	7,247	2.9	15.0
Bk Ireland E		654½	+12½	654½	413	3,147	3.2	14.8
Bank Scotland		368	-3	379½	227½	4,485	2.8	11.2
9¼pc Pf		122¼	—	129	108¼	244.5	9.8	–
8⅝pc Pf		128¾	—	132	110½	128.8	–	–

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG		180½	+1½	189½	134	6,687	10.5	18.3
Centrica		58¾	+1½	77½	55	2,584	–	–
International Energy		92½	—	180	84½	52.2	6.2	♦

ENGINEERING - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Wagon Indl		280	—	436	277	149.8	8.8	8.6
7.25p Cnv Pref		101½	—	131	82½	20.7	9.3	–
Weir		238xd	+1	273½	203½	480.5	4.2	13.7
Wellington		232½xd	—	275	230	64.9	4.4	13.7
Wellman		39½	—	58	24	39.1	8.4	5.9
Wescol		49½xd	—	61½	25	18.5	2.8	16.4
Whatman		831½xd	+1½	633	390	152.8	2.6	18.1
Widney		39½	—	122	37½	4.78	11.7	11.9

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

PROPERTY - Cont.

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

TELECOMMUNICATIONS

[illegible]

RETAILERS, GENERAL

[illegible]

TEXTILES & APPAREL

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	[illegible]	[illegible]	£20¼	1,915	3.0	ϕ
Barlow	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2	14.1
Gold Flds Prop R	†	[illegible]	[illegible]	[illegible]	120	14.2	6.5	10.3
SA Brews		[illegible]	[illegible]	[illegible]	£13¾	5,327	1.9	ϕ
Standard Bank		[illegible]	[illegible]	[illegible]	721	3,364	1.3	24.9
Tiger Oats		[illegible]	[illegible]	1150	770	1,617	1.7	21.0
Tongaat-Hulett		762	[illegible]	1125	678¼	721.3	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend ... includes a special payment. † Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996 ... L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. H Dividend is paid in whole or part as a ...

FD (Foreign Income Dividend) R Forecast annualise ...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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LONDON STOCK EXCHANGE

Footsie hits closing record on polling day

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The FTSE 100 index ended what many in the market regarded as its last trading session under a Conservative government for five years, standing proudly at a new closing high of 4,444.6, up 9.0 on the session.

There were no shocks to the stock market's system yesterday, with trading predictably restrained as traders awaited the first results of the general election.

And business was further restricted by the closure of most of the European stock markets for the May Day holiday.

Unlike the past few sessions there was no really dangerous economic news from the US to unsettle London shares.

Other indices were equally subdued, but also made modest progress. The FTSE 250 ended the session 3.4 up at 4,502.1, while the SmallCap index nudged higher, finishing 0.9 firmer at 2,296.3.

London's last-minute advance to a new closing peak was all the more impressive given that Wall Street fell back below the 7,000 mark not long after the opening yesterday, when the Dow Jones Industrial Average posted a 60-point loss.

Dealers said the stock market's performance reflected the belief that the election would see the return of a Labour government with a comfortable working majority.

"The last thing the market wants at this stage is a hung parliament, which would bring another 12 months of uncertainty, followed by another election; we're happy with New Labour if it holds its manifesto pledges," said one senior market-maker.

Another said London was in something of a holiday mood, with blue skies adding to the general good feeling. There was no real reaction to a late slippage in gilts, which finished 5 to 9 ticks higher in the wake of a small sell-off in sterling towards the close.

Others were by no means bullish, pointing to the potential for any bad news on the economy to be instantly thrown into the market by a new chancellor. The next scheduled meeting between the chancellor of the exchequer and the governor of the Bank of England is on Wednesday; a rumour in the market late yesterday suggested the meeting would not take place.

It was also pointed out that a long holiday weekend to ponder the election result, and the prospect of a tough end-June/early July mini-budget would give UK fund managers plenty of time to consider booking profits.

In its last pre-election note, the UK strategy team at BZW said: "The prospect of a solid Labour win holds few fears and is essentially discounted. The likely reaction will be governed by the size of the majority with the market likely to react least positively if Labour only squeak home."

Turnover in the market was surprisingly vigorous, given that it was polling day. At 6pm, turnover was 748.3m shares, well down on levels earlier this week. There was concentrated action in the utilities, especially National Grid, Centrica and BT.

Indices and ratios

FTSE 100	4445.0	+9.0	FT 30	2902.7	+4.3
FTSE 250	4502.1	+3.4	FTSE Non-Fins p/e	18.37	18.31
FTSE 350	2172.5	+3.8	FTSE 100 Fut Jun	4451.0	-1.0
FTSE All-Share	2138.89	+3.56	10 yr Gilt yield	7.45	7.46
FTSE All-Share yield	3.58	3.59	Long gilt/equity yld ratio	2.10	2.10

Best performing sectors
1 Life Assurance .... +2.3
2 Gas Distribution .... +1.3
3 Engineering: Vehicles .... +1.1
4 Retailers: General .... +1.1
5 Extractive Inds .... +1.1

Worst performing sectors
1 Alcoholic Beverages .... -1.0
2 Tobacco .... -0.7
3 Pharmaceuticals .... -0.5
4 Diversified Inds .... -0.5
5 Paper: Pckg & Print .... -0.5

Grid stake sold

By Peter John and Joel Kibazo

National Grid was the most heavily traded stock among the main London indices as a broker sold a 1 per cent stake in the company.

Dealers said UBS took on 16m shares at 220p and sold them on for the same price in a commission-only deal. The double counting system pushed the day's total recorded on Seaq to 34m. There were theories that the stake sale might have represented part of the unwinding of the Olayan stake. A year ago Hanson sold 12.5 per cent to HSBC James Capel, which then hedged the market risk by selling the shares to Crescent Holdings, part of Olayan, an Athens-based investment company.

However, it appeared later that PowerGen, which on the latest available shareholder registers still retained 16.5m from its failed attempt to acquire Midland Electricity, had been tidying its portfolio. The shares are believed to have been bought by an institutional fund for investment purposes.

The seller was disposing of the stake very close to the peak and might have been concerned about a windfall tax under an incoming Labour administration.

However, Merrill Lynch recommends the shares arguing that any windfall tax will be based on a company's surplus and what surplus Grid had was handed back on flotation. Grid shares ended the day a penny higher at 224¼p.

Alliance & Leicester, the newly floated bank, firmed a penny to 574p.

But a late story that the big share buyer of recent days is an investment management group could affect the stock.

Analysts have been unhappy with A&L's fundamental value but have seen it as a prime bid candidate.

Yesterday Citywatch, a research house that specialises in analysing the ownership of UK companies, said Mercury Asset Management had acquired 6.26 per cent. If MAM has bought the shares it is more likely to have taken them for investment purposes than as a prelude to any takeover. MAM would not comment late yesterday.

Life assurer Legal & General resumed its upwards trend, topping the list of Footsie performers with a rise of 18 to 432p, a new closing peak and just below the intra-day peak reached earlier in the week.

Investors were still struggling to attain an overweight position in the sector ahead of the flotation of Norwich Union in June.

For the same reason, Prudential Corporation gained 15½ to 616p. There was additional support from Lehman Brothers, which recommended the shares as a "buy" and reiterated a year-end price target of 700p.

Lehman returned from a meeting with the company to argue that it would deliver "superior returns to shareholders in the short and long-term".

Nevertheless, some brokers are beginning to feel that the stock is now fully valued. ABN Amro Hoare Govett was preparing a ""sell" note on the stock last night.

Among the composites, Commercial Union rose 20 to 702½p, General Accident 17 to 897p, and Guardian Royal Exchange 7½ to 284p. However, Royal Sun Alliance shed 4½ to 484p as SBC Warburg turned more cautious.

Home improvement products retailer Wickes rose sharply after it posted a healthy trading update.

Speaking at the group's annual meeting, the chairman said like-for-like sales in the 17 weeks to April 26 were up 14 per cent while total sales, including new store space, was up 20 per cent. The news pleased the market and the shares jumped 12½ to 178½p.

Last year, Wickes was hit by widespread internal accounting discrepancies that led to a boardroom shake-out and substantial profit write-offs. Yesterday the group said returning to profitability remained the paramount objective.

The positive news from Wickes sparked buying interest in retail stocks with DIY operations.

Shares in Kingfisher, owner of the B&Q chain, gained 23 to 691p, while those in Boots, owner of Do-It-All, improved 9½ to 701½p. J Sainsbury, the food retailer and owner of the Homebase chain, closed 2 up at 333½p.

One market specialist said: "People have taken a look at these DIY-related stocks and found them to be cheap."

Inchcape, the vehicle distributor appreciated 11 to 285p, after NatWest Securities recommended the stock.

British Steel retreated after US investors, recent supporters of the stock, turned sellers overnight. Goldman Sachs, the US investment bank, was said to have had the overnight ADR sellers which, in turn, prompted a sharp decline in the stock when the London market opened.

At the day's worst the shares were down 7 but bargain-hunting at the lower levels helped them end the session just 3¼ off at 139¼p, the worst performer in the FTSE 100.

The prospect of a bidding war for APV, which yesterday announced it had received a second approach, saw the shares gain 5 to 92p.

Market speculation pointed to German group GEA as the second bidder for the UK group while FMC of the US is believed to have made the first offer.

P&O, the transport and property group, rose 9½ to 610p, after it said Kuoni had paid £5.7m for a 50 per cent stake in P&O Travel (Hong Kong), in a joint venture to exploit the Asian market.

Glaxo Wellcome slipped 18½ to £11.95p ahead of a research and development briefing for UK analysts today and after setting a new peak in the week.

Shell Transport fell 8 to £10.82p on disappointment over first-quarter profits and a cautious statement.

Reuters Holdings jumped 25 to 659½p after upbeat comment after a series of presentations to analysts and fund managers in New York.

A profits warning from Bernard Matthews, the food manufacturer, left the shares trailing 12½ to 127p.

Musical instrument-maker and publisher Boosey & Hawkes rose 15 to 882½p following news that shareholder Carl Fischer had put its 45.3 per cent stake up for sale. Celltech Group spiked 25 higher to 590p after the biotech company said Bayer, its German partner, was confident about a new septic shock treatment that it plans to launch next year. Analysts forecast Celltech's share price could rise above 750p if the trial was successful.

Cable-laying firm Utility Cable fell 5½ to 12½p after the company gave a profits warning when announcing interim results.

FT 30 INDEX

	May 1	Apr 30	Apr 29	Apr 28	Apr 25	Yr ago	*High	*Low
FT 30	2902.7	2898.4	2891.9	2869.7	2862.0	2809.7	2931.4	2668.8
Ord. div. yield	3.80	3.81	3.82	3.86	3.87	3.85	4.22	3.76
P/E ratio net	17.45	17.43	17.38	17.20	17.13	16.53	18.09	15.80
P/E ratio nil	17.27	17.25	17.21	17.02	16.96	16.31	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2896.7	2908.4	2903.8	2902.3	2899.3	2900.6	2901.1	2899.0	2902.8	2909.5	2896.5

	May 1	Apr 30	Apr 29	Apr 28	Apr 25	Yr ago
SEAQ bargains	48,477	60,533	56,026	50,735	45,572	33,540
Equity turnover (£m)†	-	NA	2452.6	1895.3	1927.2	905.1
Equity bargains†	-	NA	51,419	38,062	39,822	36,300
Shares traded (ml)†	-	NA	785.8	644.7	627.1	905.1

†Excluding intra-market and overseas turnover but including Crest turnover.

	May 1	Apr 30	Apr 29	Apr 28	Apr 25	Yr ago	*High	*Low
FTSE AIM	1081.5	1080.4	1081.5	1065.8	1065.0	1065.3	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	543	Total Highs	56	Total contracts	33,192
Total Falls	483	Total Lows	51	Calls	19,954
Same	1,379			Puts	13,238

May 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4456.0	4451.0	-1.0	4477.0	4446.0	7948	59790
Sep	4497.0	4483.0	+1.0	4497.0	4478.0	5	3394
Dec	4536.0	4522.0	-1.0	4536.0	4520.0	90	260

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4506.0	+3.0			0	4801

FTSE 100 INDEX OPTION (LIFFE) (*4446) £10 per full index point

	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P	4550 C	4550 P	4600 C	4600 P
May	283½	9½	158	15	116½	23½	80	37	51	58	28½	88½	14½	125½	8½	169
Jun	233½	32	193	42	155½	53½	122	71½	91	91½	67½	118	46½	148	31	185
Jul	265	46½	224	58½	185	71	154	89½	121½	106	99½	133	73	161½	55	195
Aug	276	64½	238	74½	209½	90½	172½	108½	141	127½	116½	153	93½	180	73	209½
Dec†			330	122			266½	155½			286	198			187½	250

Calls 6,151 Puts 2,366

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P
May	128½	72	135	18½	90½	29½	63	48	37	70	21	104	18½	143	5	187
Jun	210	35½	171½	46½	138	61	104½	79	77	101	55	128	37	180	24	198½
Jul	261	50½	203	61½	168½	76½	137½	95	109	115½	84	140½	63	169	46	201
Sep			238	95½			186	129			130½	172			88	226½
Dec†			314	124			258	156½			193	197			144½	244½

Calls 7,959 Puts 6,869 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,336	578½	532½	Alliance & Leic	574	+1	L16.3	2.5	3.6	14.1
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§	F.P.	5.87	44½	38½	†Bickerton	38½		-	-	-	21.5
-	F.P.	4,341	305½	290½	Cable & Wireless	291½	+½	-	-	-	-
§40	F.P.	12.8	65	54½	†Charlton Athltc	57½		-	-	-	-
-	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§130	F.P.	15.4	139½	132½	†Comino	139½		2.25	4.6	2.0	13.1
§	F.P.	12.1	81½	70½	Donatantonio	80		0.5	ϕ	0.8	ϕ
-	F.P.	12.8	127½	122½	†Dragons Hlth Clubs	127	+1	-	-	-	24.1
§175	F.P.	25.9	212½	198	Heal's	212½		L3.9	3.1	2.3	15.5
§110	F.P.	5.42	190½	122½	†Lady in Leisure	130½		b-	-	-	-
-	F.P.	177.3	99½	98½	Mrtn Currie I&G Inc	91		M7.4	-	9.4	-
-	F.P.	6.02	92½	87½	Do Cap	89		-	-	-	-
§44	F.P.	4.08	50	48	†Methven's	48		-	-	-	-
50	F.P.	19.6	54½	49½	†NMT	50		-	-	-	-
§135	F.P.	171.9	144½	114	Newcastle Utd	120½	+1	-ul1.6	-	1.7	-
*	F.P.	1.71	28½	28½	†Northstar Secs	28½		-	-	-	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
-	F.P.	31.3	169½	157½	Partners Hldgs	167½		a-	-	-	19.4
100	F.P.	8.08	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	15.3	53½	38½	†Petra Diamonds	53½	+11	-	-	-	-
-	F.P.	0.46	27½	13½	†Do Warrants	27½	+10	-	-	-	-
148	F.P.	21.8	164	150	Qualceram	164		G22.6	-	1.5	-
§100	F.P.	10.3	105½	102½	†Soccer Investmnt	103½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	67.7	75	59	Utd Overseas Grp	73½	-1	-	-	-	15.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 30	% chg on day	Apr 29	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1468.80	-0.5	1475.78	2328.67	2.28	-	2362.86	1468.80
Regional Indices								
Africa (14)	1732.74	-1.8	1764.43	3136.76	5.16	27.43	3197.52	1732.74
Australasia (6)	1798.50	-1.0	1815.79	2794.48	2.98	19.55	2844.14	1798.50
North America (12)	1354.81	+0.1	1352.90	2032.02	0.99	51.86	2126.45	1335.84

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 1	Day's chge%	Apr 30	Apr 29	Apr 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4445.0	+0.2	4436.0	4433.2	4389.7	3776.4	3.64	2.07	16.63	64.30	1887.37
FTSE 250	4502.1	+0.1	4498.7	4507.0	4496.2	4537.7	3.57	1.58	22.50	55.04	1867.73
FTSE 250 ex IT	4533.5	+0.1	4530.9	4541.7	4531.2	4576.8	3.69	1.58	21.37	56.75	1885.77
FTSE 350	2172.5	+0.2	2168.7	2168.4	2150.4	1914.1	3.62	1.97	17.55	30.44	1883.56
FTSE 350 Higher Yield	2107.0	.....	2106.0	2102.9	2077.6	1836.7	4.68	1.84	14.56	35.33	1545.59
FTSE 350 Lower Yield	2244.0	+0.3	2237.0	2239.7	2229.6	1998.9	2.54	2.21	22.22	25.16	1594.35
FTSE SmallCap	2296.34	.....	2295.46	2293.06	2295.25	2232.39	3.05	1.70	24.20	25.17	1939.60
FTSE SmallCap ex IT	2301.61	.....	2300.83	2300.38	2304.12	2225.79	3.25	1.77	21.70	26.97	1959.71
FTSE All-Share	2138.89	+0.2	2135.31	2134.88	2118.62	1898.63	3.58	1.95	17.92	29.47	1882.01

FTSE Actuaries Industry Sectors

	May 1	Day's chge%	Apr 30	Apr 29	Apr 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4112.33	-0.2	4120.59	4102.38	4085.20	3481.79	3.69	2.10	16.40	70.31	1834.28
12 Extractive Industries(5)	4201.29	+1.1	4157.49	4168.86	4122.94	4698.65	3.75	2.38	13.99	104.80	1284.20
15 Oil, Integrated(3)	4232.67	-0.4	4251.24	4221.62	4203.63	3469.51	3.84	2.05	15.87	70.72	1999.33
16 Oil Exploration & Prod(12)	3430.04	+0.2	3423.03	3453.48	3489.79	2482.85	1.68	2.19	33.88	35.20	2099.81
20 GEN INDUSTRIALS(269)	1948.31	.....	1949.07	1950.24	1951.37	2153.96	4.08	1.91	16.08	27.24	1104.97
21 Building & Construction(35)	1383.58	+0.7	1373.58	1370.73	1365.99	1251.05	3.12	1.94	20.64	21.10	1200.05
22 Building Matls & Merchs(31)	1884.55	+0.1	1882.52	1888.20	1887.07	2003.07	4.26	2.76	10.62	29.04	989.28
23 Chemicals(25)	2244.10	-0.2	2248.54	2238.47	2223.68	2541.17	4.68	1.46	18.30	38.84	1107.79
24 Diversified Industrials(16)	1460.71	-0.5	1468.35	1463.67	1465.43	1800.82	4.79	2.04	12.77	28.70	860.72
25 Electronic & Elect Equip(36)	2098.63	-0.1	2101.24	2128.62	2128.72	2423.22	3.75	1.56	21.32	8.12	1118.65
26 Engineering(69)	2492.27	-0.1	2493.97	2489.68	2498.07	2497.79	3.40	2.46	14.93	30.51	1560.37
27 Engineering, Vehicles(13)	2754.24	+1.1	2723.44	2678.13	2680.60	3023.87	4.04	‡	‡	38.40	1474.33
28 Paper, Pckg & Printing(27)	2355.44	-0.5	2366.16	2402.84	2425.09	2792.13	4.44	1.87	15.07	40.53	1020.95
29 Textiles & Apparel(14)	1065.77	-0.2	1067.90	1072.05	1070.83	1444.77	6.61	0.96	19.72	10.86	680.98
30 CONSUMER GOODS(84)	4318.40	-0.4	4336.90	4307.10	4251.69	3539.43	3.51	1.82	19.56	77.92	1684.02
32 Alcoholic Beverages(7)	2938.01	-1.0	2967.76	2969.54	2957.65	2821.12	4.47	1.89	14.81	82.25	1112.17
33 Food Producers(25)	2895.85	+0.3	2888.09	2895.93	2889.54	2469.92	3.81	1.87	17.51	50.37	1364.01
34 Household Goods(17)	2921.27	+0.4	2908.46	2896.82	2900.10	2699.76	3.53	2.32	15.24	53.41	1200.84
36 Health Care(15)	2226.36	-0.4	2235.05	2222.86	2216.33	2048.57	2.66	1.63	28.72	13.35	1383.92
37 Pharmaceuticals(18)	6975.06	-0.5	7011.73	6905.04	6762.57	5044.89	2.65	1.71	27.54	104.77	2448.59
38 Tobacco(2)	4317.22	-0.7	4348.14	4371.99	4312.31	4235.44	6.27	1.87	10.64	147.58	1149.19
40 SERVICES(271)	2630.49	+0.6	2614.87	2620.05	2618.00	2510.51	2.95	1.97	21.52	27.11	1409.39
41 Distributors(30)	2700.24	+0.4	2688.49	2703.97	2702.95	2872.68	3.39	1.94	18.99	37.40	1029.38
42 Leisure & Hotels(31)	3378.10	+0.1	3373.54	3383.47	3378.42	3284.06	2.70	1.77	26.20	57.52	1868.73
43 Media(44)	4273.41	+1.0	4230.19	4236.28	4225.26	4235.14	2.29	1.96	27.82	55.29	1585.65
44 Retailers, Food(15)	2009.64	+0.2	2005.88	2006.79	2011.16	1920.04	4.01	2.29	13.61	22.51	1323.35
45 Retailers, General(53)	2073.13	+1.1	2051.17	2057.27	2058.29	2046.80	3.22	2.07	18.78	14.61	1219.61
47 Breweries, Pubs & Rest.(22)	3256.03	+0.1	3250.56	3252.28	3257.18	3155.50	3.34	2.10	17.81	17.33	1605.80
48 Support Services(54)	2893.34	+0.5	2877.91	2883.77	2898.88	2343.82	1.79	2.60	26.77	19.24	1880.29
49 Transport(22)	2788.77	.....	2787.74	2792.75	2772.48	2435.18	3.49	1.27	28.25	30.52	1205.22
60 UTILITIES(31)	2766.92	+0.4	2755.41	2762.67	2748.00	2536.33	4.88	1.55	16.49	5.34	1257.48
62 Electricity(9)	3024.25	+0.2	3017.73	3035.80	3006.07	2836.00	5.72	2.18	10.03	22.08	1670.41
64 Gas Distribution(2)	1606.54	+1.3	1586.36	1586.35	1598.45	1547.63	7.59	‡	‡	0.00	879.06
66 Telecommunications(6)	2296.83	+0.5	2286.70	2288.86	2275.59	2127.08	3.66	1.75	19.46	0.38	1085.42
68 Water(12)	2568.36	-0.2	2573.59	2584.95	2575.70	2142.26	5.80	2.33	9.26	0.00	1465.46
69 NON-FINANCIALS(676)	2174.06	+0.1	2171.79	2169.39	2159.85	2030.34	3.65	1.86	18.37	27.22	1716.14
70 FINANCIALS(106)	4068.38	+0.4	4052.85	4067.45	3986.64	2854.48	3.53	2.35	15.07	78.92	1832.42
71 Banks, Retail(8)	6016.95	.....	6019.75	6084.54	5934.30	3880.94	3.33	2.66	14.14	122.52	2057.38
73 Insurance(18)	1753.96	+1.0	1736.91	1724.20	1698.32	1390.62	4.92	2.30	11.04	43.44	1393.43
74 Life Assurance(7)	4850.10	+2.3	4742.65	4772.64	4645.42	3683.30	3.63	1.97	17.50	121.00	2118.55
77 Other Financial(29)	3160.68	+0.3	3150.82	3140.35	3120.67	2665.49	3.30	1.92	19.75	36.34	1868.87
79 Property(44)	1922.80	+0.5	1913.03	1900.43	1877.44	1572.69	3.32	1.30	28.82	13.53	1224.07
80 INVESTMENT TRUSTS(127)	3291.04	+0.2	3283.09	3271.15	3259.96	6262.35	2.22	1.14	48.25	28.47	1174.09
89 FTSE All-Share(906)	2138.89	+0.2	2135.31	2134.88	2118.62	1898.63	3.58	1.95	17.92	29.47	1882.01
FTSE Fledgling	1299.60	-0.1	1300.46	1302.41	1304.08	1244.99	2.99	0.78	53.71	12.42	1395.90
FTSE Fledgling ex IT	1320.65	-0.1	1321.88	1325.25	1327.35	1252.85	3.29	0.74	51.08	13.44	1421.61

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4435.9	4453.1	4441.1	4438.7	4437.6	4439.8	4440.8	4439.2	4446.0	4454.4	4435.9
FTSE 250	4501.0	4502.0	4500.3	4498.8	4498.4	4498.4	4498.7	4498.7	4501.9	4502.8	4498.2
FTSE 350	2168.9	2175.7	2170.8	2169.7	2169.3	2170.1	2170.5	2169.9	2172.9	2176.2	2168.9

Time of FTSE 100 Day's high: 9:04 AM Day's low: 8:30 AM. FTSE 100 1996/97 High: 4445 (01/05/97) Low: 3632.3 (24/12/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1262.6	1262.5	1264.5	1264.5	1264.0	1265.7	1265.7	1265.7	1269.7	1269.7	1259.5	+10.2
Pharmaceuticals	6928.5	6939.6	6890.4	6884.3	6885.0	6881.6	6898.1	6877.3	6896.9	6897.3	6934.0	-36.7
Water	2567.9	2568.3	2563.0	2563.0	2561.8	2560.0	2559.6	2559.6	2564.5	2564.9	2570.3	-5.4
Banks, Retail	6101.3	6137.2	6096.8	6097.3	6102.9	6102.9	6104.5	6106.9	6104.6	6093.7	6096.6	-2.9

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810.

 † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Insert: Alliance Resources (FTSE Fledgling); Name Change: Mosaic Investments now Burnden Leisure (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	729	511½	+5
ASDA Group†	7,290	115¼	
Abbey National†	3,800	844	-13½
Airtours	167	918½	+8
Albert Fisher	1,800	39½	
Alliance & Leicester	2,500	574	+1
Allied Domecq†	4,400	433½	-8
Anglian Water	373	573½	+2½
Argos	769	643½	+1
Arjo Wiggins	1,200	181½	+½
Assoc. Brit. Foods†	691	536½	+9½
Assoc. Brit. Ports	2,000	272½	+6½
BAA†	2,100	515	+9½
BAT Inds.†	5,400	517½	-5½
BBA	297	335½	+1½
BICC	3,600	221½	-9
BOC†	1,400	948	+2½
BG†	9,000	180½	+1½
BP†	7,300	705½	-1½
BPB	1,600	335½	+3
BSkyB†	2,200	570½	+2
BT†	14,800	438½	+4
BTR†	4,400	252	-½
Bank of Scotland†	2,200	368	-2
Barclays†	2,400	1148	
Bass†	2,100	801	+4½
Blue Circle†	1,900	420½	+1½
Booker	547	310	-3½
Boots†	2,400	701½	+9½
Britannic	248	854	+2
Brit. Aerospace†	844	1306½	-2½
British Airways†	3,100	698	-8
British Biotech	236	240½	-1
British Energy	3,500	134½	+3½
British Land†	2,700	582	+8
British Steel†	8,000	139¼	-3¼
Burmah Castrol†	205	1016	+8½
Burton†	3,200	153	+½
Cable & Wire†	1,800	476	+2½
Cadbury Schweppes†	2,100	517	+8½
Caradon	2,700	247	-1½
Carlton Comms.†	1,100	512½	+7½
Centrica†	22,800	58¼	+1½
Chubb	2,700	441	-7
Coats Viyella	2,100	130½	-1
Comm. Union†	2,800	702½	+20
Compass	129	677½	-4½
Cookson	1,200	211½	-8
Courtaulds	1,200	325	-7½
Dalgety	335	311½	-2½
De La Rue	695	554	+1½
Dixons†	1,500	513	+7
EMAP	1,060	768½	+1
EMI†	2,000	1281	+7
Electrocomps	316	393½	-1½
Energy Group†	1,600	486	-1½
Enterprise Oil†	2,000	612½	+6
FKI	1,000	181½	-½
Foreign & Col. I.T.	1,700	154¼	+1¼
Gen. Accident†	2,800	897	+17
General Elect.†	3,400	365½	-1½
Glaxo Wellcome†	5,900	1195	-18½
Glynwed	188	254	-2
Granada†	1,760	898½	-1½
Grand Met.†	5,800	512½	-8½
GUS†	2,000	654	+16
Greenalls	270	489½	
GRE†	2,900	284	+7½
GKN†	425	959½	+9½
Guinness†	5,900	502	-6
HSBC (75p shs)†	3,900	1641	+21
Hammerson	78	451	+½
Hanson†	2,800	304	+6½
Harrisons Crosfield	627	122	-½
Hays†	2,600	558	+9½
Hillsdown	286	182	+½
Hyder	335	865	-3½
IMI	424	354	
ICI†	3,200	700½	-½
Imperial Tobacco†	1,100	402½	-8½
Inchcape	2,300	285	+11
Johnson Matthey	222	500	-½
Kingfisher†	2,400	691	+23
Kwik Save	7	302½	
Ladbroke†	2,900	232½	+1
Land Securities†	1,100	805	+3½
Laporte	473	649	-15½
Legal & General†	2,800	432	+18
Lloyds TSB†	10,800	553½	-5½
LASMO†	1,700	223½	-½
Lonrho	1,200	157	-½
LucasVarity†	4,300	192	+6½
MEPC	1,600	461	+6
MFI	220	135½	
Marks & Spencer†	3,600	493	+9
Mercury Asset Man†	252	1342½	+16
Morrison (Wm.)	1,800	169½	+½
NFC	755	141	-2
NatWest Bank†	3,300	727	-3
National Grid†	35,100	224½	+1
National Power†	2,500	592½	-1
Next†	2,600	655	+9½
Northern Foods	160	209½	
Orange†	383	216	
Pearson†	1,500	712½	+4
P & O†	2,900	610	+9½
Pilkington	1,700	111	+½
PowerGen†	1,800	663½	+6½
Premier Farnell	191	464½	-4
Provident Financial	677	579	-8
Prudential†	2,000	616	+15½
REXAM	3,200	297½	-7
RMC†	1,800	932	-11
RTZ†	3,100	969½	+11
Racal	1,200	236	-9½
Railtrack†	1,900	461½	-4
Rank Group†	2,800	425	+4
Reckitt & Colman†	1,500	844	+6½
Redland	988	350½	+½
Reed Intl.†	942	1145	+7½
Rentokil Initial†	5,200	405	+½
Reuters†	10,000	659½	+25
Rolls Royce†	1,700	242½	[illegible]
Royal & Sun Allnce†	6,800	484	-4½
Royal Bk Scotland†	3,100	580	-4½
Safeway†	1,900	338	-1½
Sainsbury†	3,600	333½	+2
Schroders†	177	1382½	+2½
Scottish & New.†	1,300	666½	+½
Scot. Hydro-Elect.	1,200	304	[illegible]
Scottish Power†	1,500	372½	-½
Sears	3,000	77	
Securicor	283	285½	-1
Severn Trent†	946	735	-1½
Shell Transport†	7,700	1082	-8
Siebe†	2,300	917½	+5½
Slough Ests	2,400	316	-4
Smith (W.H.)	2,000	466½	+6½
Smith & Nephew†	1,800	175¼	[illegible]
SmKl Beecham†	3,000	999½	+7
Smiths Inds.†	635	757½	+2
Southern Elect.	909	437½	[illegible]
South West Water	287	667½	[illegible]
Stagecoach	662	608½	+2
Standard Chartd.†	2,300	935½	+2
Storehouse	1,700	215	-2½
[illegible]	545	185½	[illegible]
TI Group†	498	539½	[illegible]
Tarmac	3,800	124	[illegible]
Tate & Lyle†	1,900	462	[illegible]
Taylor Woodrow	352	195½	[illegible]
TeleWest Comms	22	85	[illegible]
Tesco†	3,400	368	[illegible]
Thames Water†	642	679½	[illegible]
Thistle Hotels	3,200	165½	[illegible]
Thorn	4,500	170	[illegible]
Tomkins†	4,900	269	[illegible]
Unigate	417	471	[illegible]
Unilever†	1,200	1625½	[illegible]
United Biscuits	1,300	221	[illegible]
Utd. News & Media†	1,100	750	[illegible]
United Utilities†	1,860	669	[illegible]
Vodafone†	3,900	274½	[illegible]
WPP	4,500	253	[illegible]
Wessex Water	289	373½	[illegible]
Whitbread†	875	766½	[illegible]
Williams Hldgs.	3,100	340	[illegible]
Wimpey	411	148	[illegible]
Wolseley†	1,200	464	[illegible]
Yorkshire Elect.	17	[illegible]	[illegible]
Yorkshire Water	579	[illegible]	[illegible]
Zeneca†	1,100	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † [illegible] FTSE 100 index constituent. All trades [illegible] rounded. Source: Extel, part of FT [illegible] information.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

India BSE Sens.(1979)	(c)	3841.11				
Indonesia Jakarta Comp.(10/8/82)	650.45	652.05	647.23	712.58 26/2	631.27 15/4	
Ireland ISEQ Overall(4/1/88)	3162.93	3104.81	3051.68	3162.93 1/5	2726.07 2/1	
Italy Banca Comm Ital(1972)	(c)	767.62	759.48	797.71 10/2	642.55 3/1	
MIB General(2/1/97)	(c)	1155.0	1142.0	1187.00 10/2	981.00 2/1	
Japan Nikkei 225(16/5/49)	19275.33	19151.12	(c)	19446.00 6/1	17303.65 10/1	
Nikkei 300(1/10/82)	282.06	279.75	(c)	282.45 6/1	251.04 27/1	
Thailand Bangkok SET(30/4/75)	(c)	661.29				
Turkey IMKB Nat 100(1986)	1469.0	1427.0	1435.0	1654.00 21/3	985.80 2/1	
WORLD MS Capital Intl(1/1/70)	848.9	845.3	837.5	854.40 25/2	784.50 14/4	
CROSS-BORDER Eurotrack 100(26/10/90)	2229.09	2224.77	2210.83	2231.93 11/3	1893.80 2/1	
Euro Top-100(26/6/90)	1911.19	1910.32	1896.77	1911.19 1/5	1592.90 2/1	
HSBC JC Drgn(31/12/88)	(u)	387.22	381.54	429.48 20/1	381.54 29/4	
ING Bmgs Emrg(7/1/92)	173.58	173.29	172.51	181.33 26/2	159.74 3/1	

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index) (Apr 30)							
Apr	2623.0	2621.2	+16.2	2627.0	2602.0	23,455	15,624
May	2610.0	2623.0	+33.0	2626.0	2586.0	26,128	22,599
■ DAX (Apr 30)							
Jun	3460.0	3459.0	+22.0	3464.0	3410.0	20,725	162,605
Sep	3482.5	3478.0	+23.5	3488.0	3446.0	1,290	5,497

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX (Apr 30)							
Apr	2078.00	2079.00	+19.00	2083.00	2073.00	1,854	21,606
May	2086.00	2085.50	+21.50	2088.00	2085.50	20	1,563
■ SOFFEX (Apr 30)							
May	4880.0	4894.0	+38.0	4899.0	4850.1	5,803	25,250
Jun	4865.0	4859.0	+29.0	4865.0	4859.0	6	859

* Sat Apr 26: Taiwan Weighted Price 8661.72; Korea Comp Ex 699.76. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 30 - 3438.09 +12.23. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 30	Apr 29	Apr 28	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7008.99	6962.03	6783.02	7085.16 (11/3)	6391.69 (11/4)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.59	101.49	101.24	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2572.54	2569.15	2531.85	2580.55 (23/4)	2222.07 (2/1)	2580.55 (23/4/97)	13.23 (8/7/32)
Utilities	216.39	216.39	213.46	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7081.24 (6998.15) Low 6912.26 (6820.75) (Theoretical♠)
Day's high 7057.55 (6970.86) Low 6935.54 (6789.83) (Actual♠)

Standard and Poors	Apr 30	Apr 29	Apr 28	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	801.34	794.05	772.96	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	942.01	933.07	909.41	958.96 (18/2)	865.42 (11/4)	958.96 (18/2/97)	3.52 (30/6/32)
Financial	90.91	90.09	88.77	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	416.94	413.62	403.69	427.70 (10/3)	389.47 (11/4)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	552.91	548.03	541.20	588.63 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1260.76	1242.63	1217.03	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 25	Apr 18	Apr 11	Year ago
Dow Jones Ind. Div. Yield	1.82	1.82	1.94	2.17
	Apr 30	Apr 23	Apr 16	Year ago
S & P Ind. Div. yield	1.75	1.80	1.82	1.86
S & P Ind. P/E ratio	22.89	22.19	21.85	21.60

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Ph Morris	8,023,900	39¼	....
Pepsico	6,030,300	34⅝	+½
Chrysler	5,981,400	30	-½
AT & T	5,809,800	33¼	+¼
Scien Atl	5,322,000	16	+¼
Elect Data	4,765,200	33½	+⅝
IBM	4,576,700	160¼	+2⅝
Wal-Mart	4,240,300	28¼	+½
Compaq	4,068,800	85⅝	+1¼
Coca Cola	4,082,000	63⅝	+1

■ TRADING ACTIVITY

● Volume (million)	Apr 30	Apr 29	Apr 28
New York SE	556.042	547.666	406.567
Amex	18,356	19,970	18,035
NASDAQ	668,636	583,302	463,170
NYSE			
Issues Traded	3,353	3,311	3,303
Rises	1,610	2,096	1,352
Falls	945	532	1,093
Unchanged	798	683	858
New Highs	117	87	37
New Lows	41	44	80

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	802.80	804.25	+1.45	805.00	802.60	98,919	182,168
Sep	811.50	811.50	+0.70	812.10	811.50	615	6,439

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	19370.0	19300.0	+50.0	19640.0	19220.0	30,090	226,461
Sep	19370.0	19510.0	+310.0	19600.0	19370.0	93	4,796

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, May 1, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	19.7m	371	+9
Hitachi	16.0m	1210	+60
Fujitsu	14.7m	1350	+30
Matsushita E Ind	8.2m	2070	+40
Toshiba Corp	8.1m	734	+22
NEC Corp	7.4m	1570	+20
Mitsubishi Hvy	6.6m	831	-7
NKK Corp	6.4m	272	-2
Nomura Secs	6.0m	1430	+10
Sumitomo Mtl Ind ..	6.0m	319	+3

♣ FT Free Annual Reports Service

NEW YORK STOCK EXCHANGE PRICES

4 pm close May 1

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
30¾	24¼	AAR x	0.48	1.6	23	625	30	29⅝	29¾	
43	33⅛	AMP x	1.04	2.9	28	4270	35⅞	35½	35⅝	-¼
94⅞	78¼	AMR			7	6152	92½	90¼	90⅝	-2½
37⅝	31⅝	ASA	1.20	3.7	21	286	32⅞	31¾	32⅜	+½
61½	49¾	AbbotL x	1.08	1.8	24	6318	u61½	60⅛	61	
17½	14⅛	Abitibi Pr	0.40	2.4	8	760	17	16¾	17	+¼
19¾	17⅜	ABM Ind x	0.40	2.1	17	170	18¾	18⅜	18⅝	-⅛
23	17¾	Acptcede			9	545	19½	19⅛	19⅛	-⅛
66⅞	58⅛	ACE Ltd	0.72	1.2	9	2353	60	58¾	59⅞	-⅛
10¾	10	ACM Gvt In	0.90	8.8	11	152	10⅜	10¼	10¼	
7⅝	7	ACM GvOpp	0.63	8.4		147	u7⅝	7½	7½	-⅛
9⅞	9¼	ACM Man	0.90	9.4		236	9⅝	9½	9⅝	
10⅜	6¼	Acme Elect				182	7⅜	6¾	7⅛	+¾
20	13¼	Acme Mills				782	14¼	13⅞	14¼	+⅜
17⅛	14	ACNielsen			27	1297	15	14⅞	15	
33	27¼	Acordia	0.80	2.5	15	58	31½	31⅜	31½	-⅛
29¾	21⅛	Acuson				3297	25¼	23½	23½	-¾
21	19⅝	Adams Expr	0.55	2.7	1	155	20¾	20⅝	20¾	
49½	24⅞	AdvMic				16371	43¾	42⅝	43½	+1
15	10⅜	Advest Grp	0.03	0.2	9	288	12¾	12¼	12⅝	
14⅝	11⅜	Advo Inc			15	415	12⅞	12¼	12⅝	+½
[illegible]										

[illegible]

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4 pm close May 1

NYSE PRICES

Continued from previous page

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev.
44$\frac{1}{8}$	40$\frac{1}{2}$	Xtra Corp	0.80	1.8	17	65	u44$\frac{7}{8}$	44$\frac{3}{8}$	44$\frac{7}{8}$	+$\frac{3}{4}$
23$\frac{7}{8}$	20$\frac{3}{4}$	Yankee Egy	1.30	6.1	13	59	21$\frac{1}{2}$	21$\frac{1}{4}$	21$\frac{3}{8}$	+$\frac{1}{8}$
56	37$\frac{7}{8}$	York Int	0.48	1.1	14	675	44$\frac{3}{4}$	44$\frac{1}{8}$	44$\frac{3}{4}$	-$\frac{1}{8}$
5	4	Zapata				28	4$\frac{1}{8}$	d4	4$\frac{1}{8}$	
19$\frac{1}{8}$	9$\frac{1}{8}$	ZenithE				1141	11$\frac{1}{8}$	10$\frac{3}{4}$	11	+$\frac{1}{4}$
27$\frac{7}{8}$	24$\frac{7}{8}$	Zenith Nat x	1.00	3.8	12	42	26$\frac{1}{2}$	25$\frac{3}{4}$	26$\frac{3}{8}$	+$\frac{7}{8}$
7$\frac{1}{2}$	7$\frac{1}{8}$	Zenix Inc	0.73	10.1		44	7$\frac{1}{4}$	d7$\frac{1}{8}$	7$\frac{1}{4}$	+$\frac{1}{8}$
23$\frac{3}{4}$	17$\frac{3}{4}$	Zero	0.12	0.6	15	105	19$\frac{7}{8}$	19$\frac{1}{2}$	19$\frac{3}{4}$	+$\frac{1}{4}$
11$\frac{1}{2}$	10$\frac{3}{4}$	ZweigFd	1.16	10.3		244	11$\frac{3}{8}$	11$\frac{1}{4}$	11$\frac{1}{4}$	-$\frac{1}{8}$
8$\frac{5}{8}$	8	Zweig Tot	0.84	9.7		718	u8$\frac{5}{8}$	8$\frac{1}{2}$	8$\frac{5}{8}$	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

4 pm close May 1

AMEX PRICES

NASDAQ NATIONAL MARKET

4 pm close May 1

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	33	424	u13$\frac{1}{4}$	12$\frac{3}{4}$	13$\frac{1}{4}$	+$\frac{1}{8}$
Kaman Cp	0.44	24	269	13$\frac{1}{4}$	12$\frac{3}{4}$	13$\frac{1}{4}$	+$\frac{3}{8}$
Kelly Sv	0.84	13	67	25$\frac{1}{2}$	24$\frac{3}{4}$	25$\frac{1}{2}$	+$\frac{1}{4}$
Kimball	1.04	13	160	36$\frac{3}{4}$	35$\frac{3}{4}$	36$\frac{1}{2}$	+1$\frac{1}{4}$
KLA-Te		24	15959	47$\frac{1}{8}$	44$\frac{5}{8}$	47	+2$\frac{1}{2}$
Koll A			101	$\frac{1}{8}$	d$\frac{1}{8}$	$\frac{1}{8}$	
Komag		18	14076	29$\frac{7}{8}$	28$\frac{1}{8}$	29$\frac{5}{8}$	+1$\frac{3}{8}$
Kulicke S			5203	29$\frac{3}{8}$	27$\frac{3}{8}$	28$\frac{3}{4}$	+$\frac{13}{16}$

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		11	185	15	14$\frac{1}{4}$	14$\frac{5}{8}$	
Rallys			177	3	2$\frac{27}{32}$	3	
Raymond	0.25	14	41	30	29$\frac{7}{8}$	29$\frac{15}{16}$	+$\frac{1}{16}$
RCSB Fin x	0.60	10	1081	30	29$\frac{1}{2}$	29$\frac{5}{8}$	-$\frac{1}{8}$
Read-Rite			27423	27$\frac{1}{8}$	25$\frac{5}{8}$	26$\frac{1}{4}$	+$\frac{3}{8}$

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		34	13450	50	48$\frac{1}{2}$	48$\frac{7}{8}$	-$\frac{1}{8}$
Xircom		15	13808	10$\frac{1}{2}$	9$\frac{1}{4}$	10$\frac{1}{4}$	+1
Xpedient Corp			2827	4$\frac{5}{8}$	4$\frac{3}{16}$	4$\frac{7}{16}$	-$\frac{3}{16}$
Yellow			2630	19$\frac{7}{8}$	18$\frac{7}{8}$	19$\frac{3}{4}$	+$\frac{1}{2}$
York Rsch		15	494	8	7$\frac{1}{2}$	7$\frac{11}{16}$	+$\frac{3}{16}$
ZionsUtah	1.76	18	284	129$\frac{1}{2}$	126$\frac{1}{4}$	129$\frac{3}{8}$	+2$\frac{7}{8}$

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.25	-0.125	6000	8.25	7.25	Esprit Telecom ADS	US$8	-0.375	0	12.25	8
Artwork Systems	US$10.5		11035	11	9.5	Innogenetics	US$11.75		18350	12.75	10.375
Chemunex	FFr16		23400	18	16	Mercer Internat.	US$8.125xd		0	11.75	8.125
Dr Solomon's ADS	US$23.5	-0.5	0	26.5	18.875	PixTech	US$4.5	+0.25	0	6.125	4.25

Prices for 30/4/97. Market closed 1/5/97. Please note that mid prices are now used to calculate highs and lows.

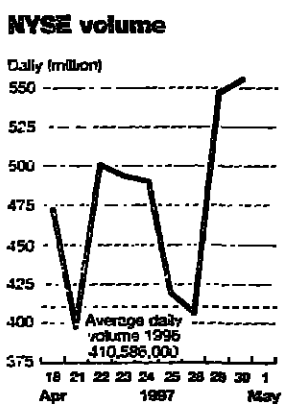
Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

Dow fails to follow bond improvement

AMERICAS

Technology stocks in the US saw sharp gains but blue chips weakened as investors took profits after the strong rally of the previous three days, *writes Richard Tomkins in New York.*

At lunchtime, the Dow Jones Industrial Average was down 48.57 at 6,960.42, slipping back below the 7,000 level again after breaching it for the first time since mid-March on Wednesday. The Standard & Poor's 500 index was also a little lower, easing 3.19 to 798.15.



However, technology stocks built on Wednesday's strengths, with networking stocks performing particularly well, and the Nasdaq composite index was up 8.50 at 1,269.26.

The decline in blue chips came in spite of gains in Treasuries triggered by optimism about the interest rate outlook. The benchmark 30-year long bond was up ¾ at 96$\frac{1}{32}$, pushing the yield down to 6.920 per cent, amid hopes that robust growth in the US economy would not feed through into inflation.

The Dow opened lower and stayed that way all morning in listless trading marked by a lack of strong corporate news. NYSE volume was 245m shares.

One of the few highlights was the announcement that Minnesota Mining & Manufacturing, better known as 3M, was selling its billboard operation to Outdoor Systems, an advertising company, for $1bn in cash.

The Nasdaq-quoted Outdoor Systems jumped $2 or 7 per cent to $29¾, while 3M eased $⅝ to $86⅞.

Philip Morris remained one of the most actively traded stocks as investors anxiously awaited the outcome of a key anti-tobacco trial in Florida. Its shares were off $½ at $38⅞, while RJR Nabisco was off $¼ at $29½.

Among technology stocks, IBM extended its gains by another $¼ to $161, Intel was up $¾ at $153⅞, and Ascend Communications was up $1 at $46¾ on the back of a healthy profit forecast, but Microsoft was down $⅞ at $120⅞.

TORONTO broke free of Wall Street to move steadily ahead in sharp contrast to the weak, early tone in the US market.

Financials were again in demand and at the noon calculation the 300 composite index was up 17.17 at 5,993.80.

Royal Bank of Canada was one of the stars of the morning session, climbing C$1.10 to C$56.95 in good two-way trade. Bank of Montreal put on 60 cents to C$51.30 and Toronto-Dominion Bank added 25 cents at C$39.75.

Seagram ran into modest profit-taking after Wednesday's strong results and upward swoop for the shares. The stock came off 15 cents to C$53.40. Alcan Aluminium dipped 20 cents to C$47.20 and Newbridge Networks shed 60 cents to C$101.

Among golds, Barrick Gold gained 35 cents to C$31.40 but Bre-X Minerals dipped, easing 5 cents to C$3.43. Stampede Exploration hardened 15 cents to C$5.90 after reduced first-quarter earnings came in above broker forecasts.

Spanish investors catch the fiesta mood

Tom Burns explains why the Madrid stock market has been hitting a string of new highs

A year ago, Expansión, Spain's leading business paper, headlined a review of Madrid's bolsa *Carpe Diem* and urged domestic investors to seize the moment for equity investment.

Those who took its advice are pleased as punch. The Ibex-35 index of leading stocks stood at 4,100 a year ago: when trading ended on Wednesday it closed at 5,909, an all-time high, and the market took an extended May Day break for the rest of the week.

The real point is that a lot of domestic investors began to rush into the equity market as the summer of 1996 approached and a centre-right Popular party government took office. Foreign funds, in contrast, started to sell and they were still running down their holdings in the final quarter of last year.

The bolsa, traditionally, has been driven by inward equity investment. But recent months have seen a radical departure from this pattern.

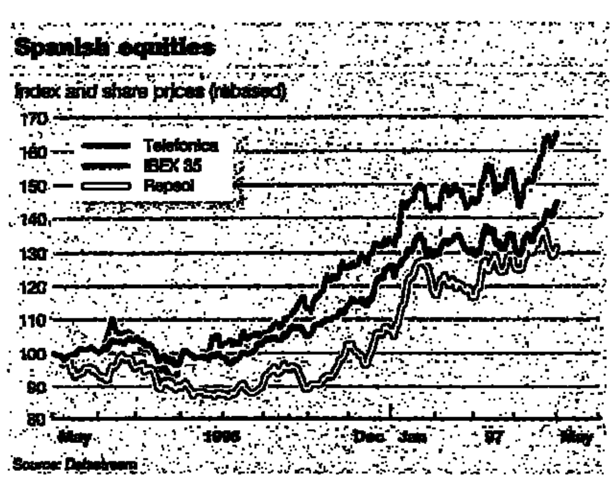
Domestic funds are now firmly in the driving seat. It is just possible that the change is definitive.

When Mr José Mari Aznar, Spain's new prime minister, came to power he made "people's capitalism" a cornerstone of the business-friendly policies he wanted to introduce. Domestic savers have taken him at his word.

Net domestic investment in Spanish equities is expected to top $10bn this year, a figure that quadruples last year's total.

Foreign funds read the Popular party government wrong. They doubted that Mr Aznar could deliver sound policies because he lacked an overall majority in parliament and, in particular, they did not believe that Spain was a serious candidate for the EU's single currency in 1999.

In the event Mr Aznar, backed in parliament by Catalan and Basque nationalists, has controlled government spending, introduced key legislation to deregulate the economy and to encourage domestic savings and averted potentially damaging clashes with the trade unions.



The Spanish economy has been positive ever since the government presented its first budget to parliament in the autumn and the news has improved with every passing month.

Inflation and interest rates are now at historic lows, net employment was created over the winter months and gross domestic product is on target to grow at 3 per cent this year.

"Never in the past decade have so many things come together to fuel so much bolsa investment," says Mr Ignacio Gómez Montejo, who heads Merrill Lynch's equity team in Madrid. The best news was European Commission's suggestion last month that Spain was on track to meet the Maastricht treaty's key public deficit criterion of 3 per cent of GDP, and that Italy was not.

"That was a double whammy," says Ms Anna Macdonald of AB Asesores, the Spanish securities house, in London. Analysts believe that Spain will gain ever greater convergence dividends from being the only other large economy, together with Germany and France, in on the launch of the Euro.

Spanish investors have flocked to new listings and to privatisation issues. When the final 10 per cent of government-held equity in Repsol, the oil, gas and chemicals group, was sold on Monday, it emerged that the domestic retail tranche had been more than 40 times subscribed.

Such demand, however, has ceased to surprise. Listings by Sol Meliá, the hotel group, by TelePizza, the fast food business, and by Adolfo Dominguez, the clothes designer, were all heavily oversubscribed. One in five Spanish households reportedly bid for stock in Telefónica when the government sold its remaining 21 per cent stake in the national telecoms carrier in February.

As many as five new listings by small to medium-capitalisation companies could take place before the end of this year. But the main endorsement of the bolsa's new found liquidity is the planned issue this autumn of 33 per cent of Endesa, the power giant.

The flotation would be worth some $5.2bn, making it easily the biggest disposal of state-controlled equity in Spain. Following the pattern of the Telefónica and Repsol issues, the bulk of the Endesa stock will be offered to small domestic investors.

The question foreign funds face is when should they get back into Spain's equity market. The bolsa's domestic liquidity adds to its allure but with the 1997 price-earnings ratio close to 18 times, it no longer carries the discount it did a year ago.

Some analysts believe that the Ibex-35 index has a resistance level of 6,000 and a support of 5,500.

More bullish observers reckon that these projections are far too conservative.

Foreign buyers underpin Tokyo

ASIA PACIFIC

Shares in TOKYO continued to climb in heavy volume, briefly touching a new high for the year before succumbing to profit-taking, *writes Gwen Robinson.*

The Nikkei 225 average rose 124.21 to 19,275.33, after moving between 19,222.42 and 19,588.36. The intra-day high exceeded the year's closing high of 19,446.00, set on January 6. Trading followed the previous day's pattern with investors encouraged by Wall Street's overnight improvement. Foreign investors remained active.

Volume surged from 458m shares to an estimated 613m. Advances led declines 787 to 326 with 141 unchanged. The Topix index of all first-section stocks added 12.05 to 1,453.24 and the capital-weighted Nikkei 300 was up 2.31 at 282.06.

Foreign buying centred on NTT and export-orientated stocks. NTT reached a new high for the year of Y988,000 before closing at Y969,000, up Y74,000. Other telecoms issues also advanced. DDI gained Y18,000 to Y861,000, and Japan Telecom added Y70,000 to Y2.14m.

Blue chips ended mixed after some fell prey to profit-taking. Sony added Y20 to Y9,260, TDK rose Y70 to Y9,220 and Matsushita Electric Industrial advanced Y40 to Y2,070. Honda, however, shed Y60 to Y3,880.

Most leading commercial banks and securities houses made modest gains. Sumitomo Bank added Y40 to Y1,490 and Dai-Ichi Kangyo Bank Y10 to Y1,400. Nomura Securities added Y10 to Y1,430, but Daiwa Securities fell Y22 to Y823.

Daiwa House Industry, a leading builder of pre-fabricated housing, fell Y70 to Y1,350 after a profits warning.

In Osaka, the OSE average added 223.47 to 20,434.78 and volume swelled to 41.5m shares.

HONG KONG followed Wall Street's overnight gains to break above the 13,000 level. The Hang Seng index ended 117.48 higher at 13,020.78. Turnover was moderate at HK12.5bn.

Property stocks were led higher by Sino Land, which rose 65 cents to HK$8.00 in 19.6m shares traded after it was included in the Morgan Stanley Capital index for Hong Kong.

The property index rose 1.9 per cent. Cheung Kong gained HK$1.50 to HK$69.50 and Henderson Land HK$1.00 to HK$66.25. Sun Hung Kai Properties rose HK$2.50 to HK$86.50 in 5m traded.

Toy maker Kin Yat ended its first day of trading at HK$164.00, against a flotation price of HK$1.28.

JAKARTA ended off the day's lows but with the composite index down 1.60 at 650.46 after a session that saw portfolio reshuffling by the index funds. Volume was Rp582bn.

The tracker fund activity was prompted by an announcement of a new composition for the Morgan Stanley index for the region. Stocks in the new index included Bank Negara and Citra Marga, the toll road operator.

Bank Negara was the day's most active share, rising Rp150 to Rp1,500 in 67m shares traded. PT Gudang Garem, the tobacco group, was a weak spot, falling Rp750 to Rp9,450.

Most Asian and European markets were closed for the May Day holiday.

Amsterdam higher as buyers seek Philips

A good day for Philips and selected financials helped lift AMSTERDAM, which closed with the AEX index 9.40 higher at 772.74.

Volume was thin, partly due to the holiday in Europe. Dealers said the market was also supported by options short-covering ahead of today's US jobs data.

Philips, a strong market on Tuesday when the Dutch were last in action, continued to push higher on news of the launch of its first digital video disc in the US.

The shares rose Fl 4.60 to Fl 106.301 for a two-day advance of nearly 7 per cent.

Ahead of today's first quarter results, Unilever was up Fl 2.50 at Fl 381.40.

Among financials, ABN Amro gained Fl 2.60 to Fl 136.50 and Fortis Amev, which refused to be drawn on talk linking it with French insurer GAN, gained Fl 2.50 to Fl 76.00. ING put on Fl 1.50 to Fl 78.00 after the market got wind of the possible purchase of the outstanding 75 per cent of Dillon Read, the US investment bank.

FTSE Actuaries Share Indices

May 1 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2232.88	2230.52	2230.41	2230.02	2230.22	2229.47	2229.09	2229.09
FTSE Eurotrack 200	2272.42	2267.58	2267.48	2265.16	2266.86	2266.61	2265.83	2264.94

	Apr 30	Apr 29	Apr 28	Apr 25	Apr 24
FTSE Eurotrack 100	2224.77	2210.83	2192.47	2198.79	2205.94
FTSE Eurotrack 200	2260.76	2251.95	2231.19	2233.11	2241.99

Base value 1000 (26/10/90): High/day: 100 - 2232.93; 200 - 2272.42 Low/day: 100 - 2227.70 200 - 2263.44. † Partial.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL 30 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 29 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	227.38	0.4	207.76	182.41	204.71	193.47	0.3	3.93	226.44	205.79	181.43	203.05	192.81	227.38	188.44	208.77
Austria (24)	*179.21*	*-0.6*	*163.75*	*143.77*	*161.34*	*161.28*	*-0.4*	*1.95*	*180.69*	*164.21*	*144.77*	*162.02*	*161.96*	*195.04*	*174.70*	*186.21*
Belgium (26)	241.88	0.3	221.01	194.04	217.76	213.07	0.6	3.36	241.25	219.25	193.30	216.33	211.74	241.88	205.89	208.14
Brazil (30)	246.33	0.2	225.08	197.61	221.77	482.26	0.2	1.50	245.89	223.47	197.01	220.49	481.07	247.23	157.23	157.42
Canada (114)	189.66	1.3	173.30	152.15	170.75	191.96	1.3	2.03	187.23	170.16	150.02	167.89	189.54	203.31	154.12	162.55
Denmark (32)	355.66	-1.0	324.97	285.31	320.19	318.83	-0.6	1.59	359.18	326.43	287.79	322.08	320.74	376.98	291.89	293.34
Finland (28)	257.35	0.2	235.15	206.45	231.69	281.04	0.2	1.62	256.90	233.48	205.84	230.36	280.58	268.58	183.06	183.30
France (91)	216.99	0.8	198.27	174.06	195.36	198.66	1.2	2.87	215.16	195.55	172.40	192.94	196.29	226.25	186.94	198.06
Germany (59)	199.95	1.1	182.70	160.40	180.01	180.01	1.6	1.56	197.68	179.66	158.39	177.26	177.26	207.65	164.47	166.62
Hong Kong (66)	461.61	2.0	421.78	370.31	415.58	459.09	2.0	3.27	452.53	411.27	362.58	405.78	450.06	514.49	407.55	430.54
Indonesia (27)	227.36	0.6	207.74	182.39	204.69	338.93	0.7	1.61	226.10	205.49	181.16	202.74	336.50	-	-	-
Ireland (16)	326.78	-1.7	298.58	262.14	294.19	306.56	1.3	3.12	332.38	302.08	266.32	298.05	302.74	343.35	270.08	274.52
Italy (59)	87.63	0.9	80.07	70.30	78.89	112.03	1.1	2.22	86.84	78.92	69.58	77.87	110.85	96.32	73.26	83.20
Japan (485)	116.54	2.0	106.48	93.49	104.92	93.49	2.1	0.84	114.23	103.81	91.52	102.43	91.52	163.84	107.57	163.84
Malaysia (107)	528.89	2.0	483.25	424.28	476.15	511.27	2.0	1.25	518.41	471.14	415.37	464.86	501.40	660.85	512.47	584.79
Mexico (27)	1341.45	0.5	1225.71	1076.13	1207.69	11663.74	0.0	1.24	1335.40	1213.64	1069.97	1197.45	11668.04	1445.68	1110.35	1251.92
Netherland (19)	350.17	-0.4	319.95	280.91	315.25	311.35	0.0	2.51	351.59	319.54	281.71	315.27	311.35	357.18	279.88	288.00
New Zealand (14)	85.62	0.5	78.23	68.69	77.08	65.57	0.7	4.33	85.21	77.44	68.27	76.41	65.12	95.60	75.94	83.02
Norway (41)	295.72	-0.8	270.21	237.23	266.23	285.82	-0.2	2.14	298.02	270.85	238.78	267.23	286.46	321.23	243.72	251.34
Philippines (22)	158.80	-2.0	145.10	127.39	142.96	208.69	-2.0	0.89	162.01	147.24	129.81	145.28	212.91	-	-	-
Singapore (43)	364.01	1.1	332.61	292.02	327.72	242.61	1.2	1.17	360.08	327.25	288.51	322.89	239.70	448.01	360.08	441.91
South Africa (44)	361.60	0.3	330.40	290.06	325.55	351.43	0.4	2.40	360.64	327.76	288.96	323.39	350.05	370.89	301.49	370.89
Spain (35)	228.87	0.8	209.12	183.60	206.04	253.27	1.1	2.58	227.09	206.38	181.95	203.63	250.49	228.87	171.91	177.10
Sweden (49)	412.84	0.5	377.21	331.18	371.67	479.48	0.7	2.18	410.88	373.41	329.21	368.43	475.97	448.64	334.35	341.16
Switzerland (36)	268.70	0.4	245.52	215.56	241.91	245.45	0.8	1.33	267.71	243.30	214.50	240.05	243.44	268.70	229.36	241.22
Thailand (43)	75.61	1.0	69.09	60.66	68.07	76.67	1.0	4.07	74.89	68.06	60.00	67.15	75.90	184.18	73.98	176.90
United Kingdom (211)	285.74	-0.5	261.09	229.23	257.25	261.09	0.0	3.77	287.23	261.04	230.13	257.56	261.04	287.23	226.85	232.68
USA (653)	324.04	0.9	296.08	259.95	291.73	324.04	0.9	1.87	321.03	291.76	257.22	287.87	321.03	331.54	254.79	266.97
Americas (824)	295.15	0.9	270.60	237.58	266.62	249.52	0.9	1.87	293.40	266.65	235.08	263.09	247.21	303.45	233.09	243.96
Europe (726)	247.20	0.1	225.87	198.31	222.55	231.34	0.6	2.73	246.86	224.35	197.79	221.36	230.00	248.97	204.71	206.77
Nordic (150)	361.19	0.1	330.02	289.75	325.17	361.06	0.3	2.00	360.95	328.04	289.20	323.66	359.65	385.65	291.45	293.39
Pacific Basin (883)	135.17	1.8	123.51	108.44	121.70	106.52	1.9	1.37	132.73	120.63	106.35	119.02	104.50	176.50	127.18	176.50
Euro-Pacific (1609)	181.88	0.9	166.18	145.90	163.74	153.64	1.2	2.14	180.30	163.86	144.46	161.67	151.87	191.51	173.55	189.83
North America (767)	315.75	0.9	288.50	253.30	284.26	315.28	0.9	1.88	312.77	284.25	250.60	280.46	312.30	323.69	248.65	260.48
Europe Ex. UK (515)	221.13	0.5	202.05	177.40	199.08	210.08	0.9	2.14	220.00	199.94	176.27	197.27	208.19	224.70	185.65	190.61
Pacific Ex. Japan (398)	292.80	1.3	267.53	234.89	263.60	254.65	1.3	2.90	288.95	262.60	231.52	259.10	251.33	320.65	268.97	295.72
World Ex. US (1824)	185.34	0.9	169.34	148.68	166.86	159.58	1.1	2.12	183.74	166.98	147.22	164.76	157.79	193.47	176.94	190.89
World Ex. UK (2266)	224.18	1.1	204.83	179.84	201.82	201.27	1.2	1.81	221.82	201.60	177.73	198.91	198.97	228.59	199.58	212.20
World Ex. Japan (1992)	287.12	0.7	262.34	230.33	258.49	278.39	0.8	2.22	285.14	259.14	228.46	255.68	276.08	292.72	233.10	242.51
The World Index (2477)	229.42	0.9	209.63	184.04	206.55	206.73	1.0	2.01	227.37	206.64	182.18	203.88	204.59	233.38	202.32	214.06

CONSTITUENT CHANGE 1/5/97: KLA Instruments to KLA-Tencor Corp (USA). Latest prices were unavailable for this edition. Market closed 30/4/97: Netherlands.